

[JOINT COMMITTEE PRINT]

**STUDY OF THE OVERALL STATE OF THE FEDERAL TAX SYSTEM
AND RECOMMENDATIONS FOR SIMPLIFICATION,
PURSUANT TO SECTION 8022(3)(B)
OF THE INTERNAL REVENUE CODE OF 1986**

**VOLUME I: STUDY OF THE OVERALL STATE
OF THE FEDERAL TAX SYSTEM**

Prepared by the Staff
of the
Joint Committee on Taxation



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CONTENTS

VOLUME I

	<u>Page</u>
PART ONE.--EXECUTIVE SUMMARY AND JOINT COMMITTEE ON TAXATION STAFF STUDY MANDATE AND METHODOLOGY.....	2
I. EXECUTIVE SUMMARY	2
A. Study Mandate and Methodology.....	2
B. Background Information on the Federal Tax System.....	4
C. Sources of Complexity in the Present-Law Federal Tax System.....	5
D. Effects of Complexity on the Federal Tax System.....	6
E. Identifying Provisions Adding Complexity	7
F. Summary of Joint Committee Staff Recommendations	9
1. Overview.....	9
2. Alternative minimum tax.....	10
3. Individual income tax	10
4. Individual retirement arrangements, qualified retirement plans and employee benefits	15
5. Corporate income tax.....	18
6. Pass-through entities.....	19
7. General business issues	20
8. Accounting provisions	22
9. Financial products and institutions	23
10. International provisions	24
11. Tax-exempt organizations	26
12. Farming, distressed communities, and energy provisions	26
13. Excise taxes.....	28
14. Tax-exempt bonds.....	31
15. Estate and gift tax.....	33
16. Deadwood provisions	33
II. MANDATE FOR STUDY AND JOINT COMMITTEE STAFF STUDY METHODOLOGY.....	34
A. Study Mandate and Legislative Background	34
1. Study mandate.....	34
2. Legislative background.....	36
B. Joint Committee Staff Study Methodology.....	39
1. Review of the overall state of the Federal tax system.....	39
2. Identifying provisions adding complexity	42
3. Developing simplification recommendations.....	44
PART TWO.--OVERALL STATE OF THE FEDERAL TAX SYSTEM.....	48
I. BACKGROUND INFORMATION ON THE FEDERAL TAX SYSTEM.....	48
A. Sources of Federal Tax Law	48
B. Information Relating to the Filing of Tax Forms	54

	<u>Page</u>
C. Taxpayer Assistance Provided by the IRS.....	55
D. Error Rates and Tax Controversies	56
II. SOURCES OF COMPLEXITY IN THE PRESENT-LAW FEDERAL TAX SYSTEM.....	58
A. Overview.....	58
B. Lack of Transparency in the Law.....	59
C. Use of the Federal Tax System to Advance Social and Economic Policies....	68
D. Increased Complexity in the Economy	73
E. Interaction of Federal Tax Laws with State Laws	75
1. State laws generally.....	75
2. State property rights laws	77
3. State regulatory laws	82
4. State laws concerning entity classification	85
5. State income tax laws	86
F. Interaction of Federal Tax Laws with Other Federal Laws and Standards	88
1. Federal securities laws.....	88
2. Federal labor laws	89
3. Generally accepted accounting principles	91
G. Interaction of Federal Tax Laws with Laws of Foreign Countries and Tax Treaties	93
1. Laws of foreign countries	93
2. Tax treaties	97
III. EFFECTS OF COMPLEXITY ON THE PRESENT-LAW FEDERAL TAX SYSTEM	101
A. Overview.....	101
B. Decreased Levels of Voluntary Compliance.....	102
C. Costs of Complexity	103
D. Effect of Complexity on Perceived Fairness of the Federal Tax System.....	109
E. Effect of Complexity on Tax Administration	110
IV. EFFORTS OF FOREIGN COUNTRIES TO SIMPLIFY THEIR TAX LAWS	112
A. Simplification by Substantive Tax Reform.....	113
B. Simplification by Administrative Reform: Rewriting the Tax Law and/or Easing Taxpayer Compliance	115
Appendix A.--Academic Advisors to Joint Committee on Taxation for Study of Overall State of the Federal Tax System.....	A-1
Appendix B.--Tax Policy Advisors to Joint Committee on Taxation for Study of Overall State of the Federal Tax System.....	B-1
Appendix C.--General Accounting Office Materials	C-1
Appendix D.--Congressional Research Service Materials	D-1

VOLUME II

	<u>Page</u>
PART THREE.--RECOMMENDATIONS OF THE STAFF OF THE JOINT COMMITTEE ON TAXATION TO SIMPLIFY THE FEDERAL TAX SYSTEM	2
I. ALTERNATIVE MINIMUM TAX	2
II. INDIVIDUAL INCOME TAX	23
A. Structural Issues Relating to the Individual Income Tax	23
1. Introduction.....	23
2. Filing status.....	23
3. Determination of marital status	24
4. Exclusions from income	26
5. Deductions and credits.....	27
6. Above-the-line deductions and itemized deductions	30
7. Standard deduction	33
8. Dependency exemption, child credit, and earned income credit.....	35
9. Treatment of capital gains and losses	36
10. Treatment of home mortgage interest of individuals	38
B. Filing Status, Personal Exemptions, and Credits	44
1. Uniform definition of qualifying child.....	44
2. Dependent care tax benefits	67
3. Modifications to the earned income credit.....	69
4. Determinations relating to filing status.....	75
C. Income-Based Phase-outs and Phase-ins	79
D. Taxation of Social Security Benefits	92
E. Individual Capital Gains and Losses	97
1. Adopt a uniform percentage deduction for capital gains in lieu of multiple tax rates.....	97
2. Definition of "small business" for capital gain and loss provisions	109
F. Two-Percent Floor on Miscellaneous Itemized Deductions	111
G. Provisions Relating to Education.....	122
1. Overview of tax provisions relating to education.....	122
2. Definition of qualified higher education expenses	122
3. Combine HOPE and Lifetime Learning Credits	126
4. Interaction among provisions	130
5. Deduction for student loan interest	132
6. Exclusion for employer-provided educational assistance.....	133
7. Structural issues.....	135
H. Taxation of Minor Children.....	144
III. INDIVIDUAL RETIREMENT ARRANGEMENTS, QUALIFIED RETIREMENT PLANS, AND EMPLOYEE BENEFITS	149
A. Structural Issues Relating to Qualified Retirement Plans.....	149
B. Individual Retirement Arrangements	155
C. Qualified Retirement Plans.....	166

	<u>Page</u>
1. Adopt uniform definition of compensation for qualified retirement plans	166
2. Modifications to minimum coverage and nondiscrimination rules.....	173
3. Apply uniform vesting requirements to all qualified retirement plans	183
4. Conform requirements for SIMPLE IRAs and SIMPLE 401(k) plans.....	185
5. Conform definitions of highly compensated employee and owner.....	188
6. Conform contribution limits for tax-sheltered annuities to contribution limits for qualified retirement plans	192
7. Simplification of distribution rules applicable to qualified retirement plans	194
a. Simplify minimum distribution rules.....	194
b. Adopt uniform early withdrawal rules.....	198
8. Make 401(k) plans available to all governmental employers	201
9. Redraft section 457 to separate requirements for governmental plans and plans of tax-exempt employers.....	202
10. Adopt uniform ownership attribution rules for qualified retirement plan purposes.....	204
D. Basis Recovery Rules for Qualified Retirement Plans and IRAs	211
1. In general.....	211
2. Qualified retirement plans	211
E. Employee Benefits.....	221
1. Modify cafeteria plan election requirements	221
2. Employees excluded from application of nondiscrimination requirements	225
IV. CORPORATE INCOME TAX.....	229
A. Structural Issues Relating to the Corporate Income Tax	229
1. Corporate integration.....	229
2. Mergers, acquisitions, and related tax-free transactions	238
B. Eliminate Collapsible Corporation Provisions.....	249
C. Section 355 “Active Business Test” Applied to Chains of Affiliated Corporations.....	251
D. Uniform Definition of a Family for Purposes of Applying Attribution Rules.....	253
E. Limit Application of Section 304	259
F. Post-Reorganization Transfers of Assets	261
G. Redemptions Incident to Divorce	263
H. Conform Treatment of Boot Received in a Reorganization with the Stock Redemption Rules.....	267
V. PASS-THROUGH ENTITIES	269
A. Structural Issues Relating to Pass-Through Entities.....	269
B. Partnership Simplification Recommendations	277
1. Modernize references to "limited partner" and "general partner"	277
2. Eliminate large partnership rules	287

	<u>Page</u>
3. Conform timing rules for guaranteed payments and other non-partner payments	291
C. S Corporation Simplification Recommendations	295
1. Excess passive income of S corporations	295
2. Trusts as permitted shareholders of S corporations	296
VI. GENERAL BUSINESS ISSUES	300
A. Section 1031	300
1. Tax-free rollover of like-kind property	300
2. Property held for use in a trade or business or held for investment in a like-kind exchange	303
B. Low-Income Housing Tax Credit.....	306
C. Rehabilitation Tax Credit.....	307
D. Orphan Drug Tax Credit.....	310
E. Work Opportunity Tax Credit and Welfare-to-Work Tax Credit.....	311
F. Indian Employment Tax Credit.....	317
G. Electric Vehicle Credit and Clean Fuel Vehicle Deduction.....	320
VII. ACCOUNTING AND COST RECOVERY PROVISIONS	322
A. Structural Issues Relating to Accounting for Capital Expenditures.....	322
B. Cash Method of Accounting for Small Businesses.....	328
C. Amortization of Organization Expenditures	332
D. Depreciation--Mid-Quarter Convention	334
VIII. FINANCIAL PRODUCTS AND INSTITUTIONS	336
A. Structural Issues Relating to Financial Products and Institutions	336
B. Modification of the Straddle Rules.....	339
C. Provide More Uniform Treatment of Interest Charges	344
D. Redraft Rules for Taxation of Annuities	356
E. Special Rules for Mortgage Guaranty Insurance, Lease Guaranty Insurance, and Insurance of State and Local Obligations	377
F. Special Deduction and Exception to Reduction in Unearned Premium Reserves for Blue Cross and Blue Shield Organizations	379
G. Treatment of Life Insurance Companies.....	381
IX. INTERNATIONAL TAX	384
A. Structural Issues Relating to International Tax.....	384
B. Anti-Deferral Regimes Applicable to Income Earned Through Foreign Corporations.....	398
C. Expand Subpart F De Minimis Rule	419
D. Look-Through Rules for Dividends from Noncontrolled Section 902 Corporations	421
E. Foreign Tax Credits Claimed Indirectly Through Partnerships.....	424
F. Conform Sections 30A and 936.....	428
G. Application of Uniform Capitalization Rules for Foreign Persons	432
H. Secondary Withholding Tax on Dividends From Foreign Corporations	436
I. Capital Gains of Certain Nonresident Individuals	440
J. U.S. Model Tax Treaties	445

	<u>Page</u>
K. Older U.S. Tax Treaties.....	448
X. TAX-EXEMPT ORGANIZATION PROVISIONS	451
A. Percentage Limits on Grass-Roots Lobbying Expenditures of Electing Charities	451
B. Excise Tax Based on Investment Income	456
XI. FARMING, DISTRESSED COMMUNITIES, AND ENERGY PROVISIONS	460
A. Cost Sharing Payments.....	460
B. Reforestation Expenses.....	463
C. Capital Gains Treatment to Apply to Outright Sales of Timber by Landowners	465
D. Qualifications for the Zero-Percent Capital Gain Rate in the D.C. Enterprise Zone	466
E. Uniform Rules and Incentives for Economically Distressed Areas	468
F. Permit Expensing of Certain Geological and Geophysical Costs	475
XII. EXCISE TAXES	478
A. Highway Trust Fund Excise Taxes	478
B. Airport and Airway Trust Fund Excise Taxes	490
C. Harbor Maintenance Trust Fund Excise Tax and Tax on Passenger Transportation by Water.....	497
D. Aquatic Resources Trust Fund Excise Taxes.....	499
E. Federal Aid to Wildlife Fund and Non-Regular Firearms Excise Tax	501
F. Black Lung Trust Fund Excise Tax	503
G. Communications Excise Tax.....	504
H. Ozone-Depleting Chemicals Excise Tax.....	507
I. Alcohol Excise Taxes.....	508
J. Tobacco Excise Taxes.....	513
XIII. TAX-EXEMPT BONDS	516
A. Eliminate Five-Percent Disproportionate Use Limit.....	516
B. Consolidate Prohibited/Restricted Use Facilities Rules.....	517
C. Provisions Rendered or Being Rendered Obsolete by the Passage of Time ...	520
1. Deadwood provisions	520
a. Mortgage revenue bonds--Federal disaster area modifications.....	520
b. Interim authority for governors regarding allocation of private activity bond volume limits	521
2. Other provisions	522
a. Consolidate qualified mortgage bonds and qualified veterans' mortgage bonds.....	522
b. Eliminate \$150 million limit for qualified 501(c)(3) bonds	524
c. Eliminate qualified small-issuer exception for certain bank-qualified bonds	525
d. Modify public notice requirements	526
D. Arbitrage Rebate Provisions	528

	<u>Page</u>
XIV. ESTATE AND GIFT TAX PROVISION--Conform Certain	
Family-Owned and Small Business Provisions	531
XV. EMPLOYMENT TAX PROVISIONS	539
A. Structural Issues Relating to Worker Classification	539
B. Structural Issues Relating to Determination of Individuals Subject to Self-Employment Tax	551
XVI. COMPLIANCE AND ADMINISTRATION PROVISIONS	555
A. Structural Issues Relating to Alternate Return Filing Systems	555
B. Structural Issues Relating to Judicial Proceedings in Federal Tax Cases.....	560
C. Penalties and Interest.....	568
D. Disclosure of Returns and Return Information.....	572
XVII. DEADWOOD PROVISIONS	579

VOLUME III

	<u>Page</u>
I. SUMMARIES OF ACADEMIC PAPERS SUBMITTED TO THE JOINT COMMITTEE STAFF	2
A. Jonathan Barry Forman, Simplification for Low-Income Taxpayers: 2001	2
B. Deborah A. Geier, Simplifying and Rationalizing the Federal Income Tax Law Applicable to Transfers in Divorce.....	3
C. Frances R. Hill, Private Benefit, Public Benefit and Exemption	4
D. Frances R. Hill, Exemption and Commercial Activities: Approaches to Rationalizing Unrelated Business Income Tax.....	6
E. Annette Nellen, Simplification of the EITC Through Structural Changes	7
F. George K. Yin and David J. Shakow, Reforming and Simplifying the Income Taxation of Private Business Enterprises.....	9
II. ACADEMIC PAPERS SUBMITTED TO THE JOINT COMMITTEE STAFF	10
A. Jonathan Barry Forman, Simplification for Low-Income Taxpayers: 2001	10
B. Deborah A. Geier, Simplifying and Rationalizing the Federal Income Tax Law Applicable to Transfers in Divorce.....	19
C. Frances R. Hill, Private Benefit, Public Benefit and Exemption	143
D. Frances R. Hill, Exemption and Commercial Activities: Approaches to Rationalizing Unrelated Business Income Tax.....	175
E. Annette Nellen, Simplification of the EITC Through Structural Changes	205
F. George K. Yin and David J. Shakow, Reforming and Simplifying the Income Taxation of Private Business Enterprises.....	220

INTRODUCTION

This document,¹ is a report of the staff of the Joint Committee on Taxation (“Joint Committee staff”) in connection with a study of the overall state of the Federal tax system. This report is being transmitted, as required under section 8022(3)(B) of the Internal Revenue Code of 1986, to the House Committee on Ways and Means and the Senate Committee on Finance. Under section 8022(3)(B), the Joint Committee staff is required to report at least once each Congress on the overall state of the Federal tax system and to make recommendations with respect to possible simplification proposals and other matters relating to the administration of the Federal tax system.²

The Joint Committee staff is publishing this study in three volumes. Volume I of this study contains Part One (Executive Summary and Joint Committee on Taxation Staff Study Mandate and Methodology), Part Two (Overall State of the Federal Tax System), and four Appendices (Academic Advisors to the Joint Committee on Taxation, Tax Policy Advisors to the Joint Committee on Taxation, General Accounting Office Materials, and Congressional Research Service Materials). Volume II of this study contains Part Three (Recommendations of the Joint Committee on Taxation Staff to Simplify the Federal Tax System). Volume III of this study contains papers relating to simplification submitted to the Joint Committee on Taxation by tax scholars in connection with the study.

¹ This document may be cited as follows: Joint Committee on Taxation, *Study of the Overall State of the Federal Tax System and Recommendations for Simplification, Pursuant to Section 8022(3)(B) of the Internal Revenue Code of 1986* (JCS-3-01), April 2001.

² Section 8022(3)(B) was added by section 4002(a) of the Internal Revenue Service Restructuring and Reform Act of 1998.

**PART ONE.--EXECUTIVE SUMMARY AND
JOINT COMMITTEE ON TAXATION STAFF MANDATE AND METHODOLOGY**

I. EXECUTIVE SUMMARY

A. Study Mandate and Methodology

Under the Internal Revenue Code, the Joint Committee on Taxation (“Joint Committee”) is required to report, at least once each Congress, to the Senate Committee on Finance and the House Committee on Ways and Means on the overall state of the Federal tax system.¹ This study is required to include recommendations with respect to possible simplification proposals and such other matters relating to the administration of the Federal tax system as the Joint Committee may deem advisable.

In the course of this study, the Joint Committee staff:

- (1) undertook an extensive review of prior simplification proposals, including review of legal and economic literature making simplification and other legislative recommendations during the past 10 years; prior published and unpublished work of the Joint Committee staff with respect to simplification; various published Treasury studies; materials published by the National Taxpayer Advocate and the Commissioner of Internal Revenue, including the Tax Complexity Study issued by the Commissioner on June 5, 2000; and published simplification recommendations of various professional organizations, including the American Bar Association, the American Institute of Certified Public Accountants, and the Tax Executives Institute;
- (2) assembled two groups of advisors (approximately 40 academic advisors and approximately 25 individuals who previously held senior-level tax policy positions in the Federal government) to assist in the analysis of various simplification proposals and to solicit simplification ideas that may not have been previously advanced;

¹ Internal Revenue Code (“Code”) sec. 8022(3)(B). This provision was added by section 4002(a) of the Internal Revenue Service Restructuring and Reform Act of 1998 (Pub. L. No. 105-206). The requirement for a study stemmed from recommendations of the National Commission on Restructuring the Internal Revenue Service in 1997. Report of the Commission on Restructuring the Internal Revenue Service: *A Vision for a New IRS: Report of the National Commission on Restructuring the Internal Revenue Service*, June 27, 1997. Preparation of the Joint Committee study is subject to specific appropriations by the Congress. For fiscal year 2000, the staff of the Joint Committee on Taxation (“Joint Committee staff”) advised the House and Senate Committees on Appropriations that an appropriation of \$200,000 would be required for the Joint Committee staff to undertake the study and amounts were appropriated for this purpose.

- (3) conducted a full-day meeting with representatives of the Internal Revenue Service (“IRS”) to solicit comments and suggestions on specific issues under the Federal tax system and a separate meeting with the IRS and the Director of the American University Washington College of Law Tax Clinic on issues relating to the present-law earned income credit;
- (4) requested that the General Accounting Office provide information that would assist in measuring the effects of complexity on taxpayers, including the size of the Code, the number of forms, instructions, and publications, and taxpayer errors and requests for assistance to the IRS; and
- (5) requested the Congressional Research Service to provide information regarding legislative and regulatory activity relating to the Federal tax system and information on the efforts of foreign countries to simplify their tax laws.

The Joint Committee staff (1) collected background information on the Federal tax system, (2) identified the sources and effects of complexity in the present-law tax system, (3) identified provisions adding complexity to the present-law tax system, and (4) developed simplification recommendations.

B. Background Information on the Federal Tax System

The Joint Committee staff collected background information on the sources of complexity in the Federal tax law and data concerning the filing of tax forms, taxpayer assistance, and information on error rates and tax controversies. Some of the information collected by the Joint Committee staff (with the assistance of the General Accounting Office) included the following:

- (1) Over 100 million individual income tax returns are filed annually on behalf of roughly 90 percent of the U.S. population;
- (2) The Internal Revenue Code consists of approximately 1,395,000 words;
- (3) There are 693 sections of the Internal Revenue Code that are applicable to individual taxpayers, 1,501 sections applicable to businesses, and 445 sections applicable to tax-exempt organizations, employee plans, and governments;
- (4) As of June 2000, the Treasury Department had issued almost 20,000 pages of regulations containing over 8 million words;
- (5) During 2000, the IRS published guidance for taxpayers in the form of 58 revenue rulings, 49 revenue procedures, 64 notices, 100 announcements, at least 2,400 private letter rulings and technical advice memoranda, 10 actions on decision, and 240 field service advice;
- (6) For 1999, publications of the IRS included 649 forms, schedules, and separate instructions totaling more than 16,000 lines, 159 worksheets contained in IRS instructions to forms, and approximately 340 publications totaling more than 13,000 pages;
- (7) A taxpayer filing an individual income tax return could be faced with a return (Form 1040) with 79 lines, 144 pages of instructions, 11 schedules totaling 443 lines (including instructions), 19 separate worksheets embedded in the instructions, and the possibility of filing numerous other forms (IRS Publication 17, Your Federal Income Tax (273 pages), lists 18 commonly used forms other than Form 1040 and its schedules);
- (8) In 1997, of the more than 122 million individual income tax returns filed, nearly 69 million were filed on Form 1040, as opposed to Form 1040A, Form 1040EZ, or Form 1040PC;
- (9) In 1999, taxpayers contacted the IRS for assistance approximately 117 million times, up from 105 million contacts in 1996; and
- (10) The use of paid return preparers increased from 48 percent of returns filed in 1990 to 55 percent of returns filed in 1999 (a 27 percent increase) and the use of computer software for return preparation increased from 16 percent of returns filed in 1990 to 46 percent of returns filed in 1999 (a 188 percent increase).

C. Sources of Complexity in the Present-Law Federal Tax System

In the course of its study, the Joint Committee staff identified various sources of complexity in the present-law Federal tax system. No single source of complexity can be identified that is primarily responsible for the state of the present-law system. Rather, the Joint Committee staff found that, for any complex provision, a number of different sources of complexity might be identified.

Among these sources of complexity the Joint Committee staff identified are: (1) a lack of clarity and readability of the law; (2) the use of the Federal tax system to advance social and economic policies; (3) increased complexity in the economy; and (4) the interaction of Federal tax laws with State laws, other Federal laws and standards (such as Federal securities laws, Federal labor laws and generally accepted accounting principles), the laws of foreign countries, and tax treaties. The lack of clarity and readability of the law results from (1) statutory language that is, in some cases, overly technical and, in other cases, overly vague; (2) too much or too little guidance with respect to certain issues; (3) the use of temporary provisions; (4) frequent changes in the law; (5) broad grants of regulatory authority; (6) judicial interpretation of statutory and regulatory language; and (7) the effects of the Congressional budget process.

D. Effects of Complexity on the Federal Tax System

There are a number of ways in which complexity can affect the Federal tax system. Among the more commonly recognized effects are (1) decreased levels of voluntary compliance; (2) increased costs for taxpayers; (3) reduced perceptions of fairness in the Federal tax system; and (4) increased difficulties in the administration of tax laws. Although there is general agreement among experts that complexity has these adverse effects, there is no consensus on the most appropriate method of measuring the effects of complexity. The Joint Committee staff explored certain information that may be helpful in assessing the possible effects of complexity in the present-law Federal tax system.

It is widely reported that complexity leads to reduced levels of voluntary compliance. Complexity can create taxpayer confusion, which may affect the levels of voluntary compliance through inadvertent errors or intentional behavior by taxpayers. The Joint Committee staff found that it is not possible to measure the effects of complexity on voluntary compliance because (1) there has been no consistent measurement of the levels of voluntary compliance in more than a decade and (2) there is no generally agreed measure of changes in the level of complexity in the tax system over time.

Commentators also state that complexity of the Federal tax systems results in increased costs of compliance to taxpayers. The Joint Committee staff explored some of the commonly used measures of the costs of compliance, such as the estimate of time required to prepare tax returns, but found that there is no reliable measure of the change in costs of compliance. The Joint Committee staff did find, however, that individual taxpayers have significantly increased their use of tax return preparers, computer software for tax return preparation, and IRS taxpayer assistance over the last 10 years.

Complexity reduces taxpayers' perceptions of fairness of the Federal tax system by (1) creating disparate treatment of similarly situated taxpayers, (2) creating opportunities for manipulation of the tax laws by taxpayers who are willing and able to obtain professional advice, and (3) disillusioning taxpayers to Federal tax policy because of the uncertainty created by complex laws.

Finally, complexity makes it more difficult for the IRS to administer present law. Complex tax laws make it more difficult for the IRS to explain the law to taxpayers in a concise and understandable manner in forms, instructions, publications, and other guidance. In addition, the IRS is more likely to make mistakes in the assistance provided to taxpayers and in the application of the law.

E. Identifying Provisions Adding Complexity

In conducting this study, the Joint Committee staff looked at a variety of factors that contribute to complexity. Although the Joint Committee staff's focus was on complexity as it affects taxpayers (either directly or through the application of the law by tax practitioners), the Joint Committee staff also took into account complexity encountered by the IRS in administering the tax laws.

The Joint Committee staff generally did not take into account the level of sophistication of taxpayers or the complexity of transactions in identifying complex provisions; however, as discussed below, such factors were taken into account in making recommendations for simplification.

Factors the Joint Committee staff analyzed in identifying provisions that add complexity include the following:

- (1) the existence of multiple provisions with similar objectives;
- (2) the nature and extent of mathematical calculations required by a provision;
- (3) error rates associated with a provision;
- (4) questions frequently asked the IRS by taxpayers;
- (5) the length of IRS worksheets, forms, instructions, and publications needed to explain and apply a provision;
- (6) recordkeeping requirements;
- (7) the extent to which a provision results in disputes between the IRS and taxpayers;
- (8) the extent to which a provision makes it difficult for taxpayers to plan and structure normal business transactions;
- (9) the extent to which a provision makes it difficult for taxpayers to estimate and understand their tax liabilities;
- (10) whether a provision accomplishes its purposes and whether particular aspects of a provision are necessary to accomplish the purposes of the provision;
- (11) lack of consistency in definitions of similar terms;
- (12) the extent to which a provision creates uncertainty;
- (13) whether a provision no longer serves any purpose or is outdated;
- (14) whether the statutory rules are easily readable and understandable;

- (15) the extent to which major rules are provided in regulations and other guidance rather than in the Code; and
- (16) the existence of appropriate administrative guidance.

F. Summary of Joint Committee Staff Recommendations

1. Overview

The Joint Committee staff analyzed each possible simplification recommendation from a variety of perspectives, including:

- (1) the extent to which simplification could be achieved by the recommendation;
- (2) whether the recommendation improves the fairness or efficiency of the Federal tax system;
- (3) whether the recommendation improves the understandability and predictability (i.e., transparency) of the Federal tax system;
- (4) the complexity of the transactions that would be covered by the recommendation and the sophistication of affected taxpayers;
- (5) administrative feasibility and enforceability of the recommendation;
- (6) the burdens imposed on taxpayers, tax practitioners, and tax administrators by changes in the tax law; and
- (7) whether a provision of present law could be eliminated because it is obsolete or duplicative.

In developing possible simplification recommendations, the Joint Committee staff applied one overriding criterion: the Joint Committee staff would make a simplification recommendation only if the recommendation did not fundamentally alter the underlying policy articulated by the Congress in enacting the provision. As a result of applying this criterion, the Joint Committee staff did not make certain simplification recommendations reviewed in the course of this study. However, further simplification could be achieved by addressing certain of the policy decisions made in developing various provisions of present law.

Among the types of issues with respect to which the Joint Committee staff did not make specific simplification recommendations because of policy considerations are the following: (1) reducing the number of individual income tax filing statuses; (2) determining marital status; (3) reducing the number of exclusions from income; (4) making structural modifications to above-the-line deductions and itemized deductions; (5) increasing the standard deduction; (6) making structural changes to the dependency exemption, the child credit, and the earned income credit; (7) modifying the treatment of home mortgage interest of individuals; (8) modifying the distinction between ordinary income (and losses) and capital gains (and losses); (9) integrating the corporate and individual income tax; (10) altering the basic rules relating to corporate mergers and acquisitions; (11) eliminating the personal holding company and accumulated earnings tax provisions; (12) reducing the number of separate tax rules for different types of pass-through entities; (13) determining whether an expenditure is a capital expenditure that cannot be currently expensed; (14) modifying the rules relating to depreciation of capital assets; (15) providing uniform treatment of economically similar financial instruments; (16) modifying

the rules relating to taxation of foreign investments; (17) modifications to the foreign tax credit; (18) altering the taxation of individual taxpayers with respect to cross border portfolio investments overseas; (19) changing the determination of an individual's status as an employee or independent contractor; (20) clarifying the treatment of limited partners for self-employment tax purposes; (21) providing alternative methods of return filing; and (22) eliminating overlapping jurisdiction of litigation relating to the Federal tax system.

The Joint Committee staff did not conclude that a simplification recommendation was inconsistent with the underlying policy of a provision merely because the recommendation might alter the taxpayers affected.

In some instances, the Joint Committee staff concluded that a provision did not accomplish the underlying policy articulated when the provision was enacted. In such instances, the Joint Committee staff concluded that recommending elimination or substantial modification of a provision was not inconsistent with the underlying policy.

2. Alternative minimum tax

The Joint Committee staff recommends that the individual and corporate alternative minimum taxes should be eliminated. The individual and corporate alternative minimum taxes contribute complexity to the present-law tax system by requiring taxpayers to calculate Federal income tax liability under two different systems.

The Joint Committee staff believes that the individual alternative minimum tax no longer serves the purposes for which it was intended. The present-law structure of the individual alternative minimum tax expands the scope of the provisions to taxpayers who were not intended to be alternative minimum tax taxpayers. The number of individual taxpayers required to comply with the complexity of the individual alternative minimum tax calculations will continue to grow due to the lack of indexing of the minimum tax exemption amounts and the effect of the individual alternative minimum tax on taxpayers claiming nonrefundable personal credits. By 2011, the Joint Committee staff projects that more than 11 percent of all individual taxpayers will be subject to the individual alternative minimum tax.

Furthermore, legislative changes since the Tax Reform Act of 1986 have had the effect of partially conforming the tax base for alternative minimum tax purposes to the tax base for regular tax purposes. Thus, the Joint Committee staff finds it appropriate to recommend repeal of the alternative minimum tax.

3. Individual income tax

Uniform definition of a qualifying child

The Joint Committee staff recommends that a uniform definition of qualifying child should be adopted for purposes of determining eligibility for the dependency exemption, the earned income credit, the child credit, the dependent care tax credit, and head of household filing status. Under this uniform definition, in general, a child would be a qualifying child of a taxpayer if the child has the same principal place of abode as the taxpayer for more than one half the taxable year. Generally, a "child" would be defined as an individual who is (1) the son,

daughter, stepson, stepdaughter, brother, sister, stepbrother, or stepsister of the taxpayer or a descendant of any of such individuals, and (2) under age 19 (or under age 24 in the case of a student). As under present law, the child would have to be under age 13 for purposes of the dependent care credit. No age limit would apply in the case of disabled children. Adopted children, children placed with the taxpayer for adoption by an authorized agency, and foster children placed by an authorized agency would be treated as the taxpayer's child. A tie-breaking rule would apply if more than one taxpayer claims a child as a qualifying child. Under the tie-breaking rule, the child generally would be treated as a qualifying child of the child's parent.

Adopting a uniform definition of qualifying child would make it easier for taxpayers to determine whether they qualify for the various tax benefits for children and reduce inadvertent taxpayer errors arising from confusion due to different definitions of qualifying child. A residency test is recommended as the basis for the uniform definition because it is easier to apply than a support test.

This recommendation would provide simplification for substantial numbers of taxpayers. Under present law, it is estimated that, for 2001, 44 million returns will claim a dependency exemption for a child, 19 million returns will claim the earned income credit, 6 million returns will claim the dependent care credit, 26 million returns will claim the child credit, and 18 million returns will claim head of household filing status.

Dependent care benefits

The Joint Committee staff recommends that the dependent care credit and the exclusion for employer-provided dependent care assistance should be conformed by: (1) providing that the amount of expenses taken into account for purposes of the dependent care credit is the same flat dollar amount that applies for purposes of the exclusion (i.e., \$5,000 regardless of the number of qualifying individuals); (2) eliminating the reduction in the credit for taxpayers with adjusted gross income above certain levels; and (3) providing that married taxpayers filing separate returns are eligible for one half the otherwise applicable maximum credit.

The recommendation would eliminate the confusion caused by different rules for the two present-law tax benefits allowable for dependent care expenses. The recommendation also would simplify the dependent care credit by eliminating features of the credit that require additional calculations by taxpayers.

This recommendation could provide simplification for as many as 6 million returns, the number of returns estimated to claim the dependent care credit in 2001.

Earned income credit

The Joint Committee staff recommends that the earned income credit should be modified as follows: (1) the uniform definition of qualifying child (including the tie-breaking rule) recommended by the Joint Committee staff should be adopted for purposes of the earned income credit; and (2) earned income should be defined to include wages, salaries, tips, and other employee compensation to the extent includible in gross income for the taxable year, and net earnings from self employment.

Applying the uniform definition of child recommended by the Joint Committee staff to the earned income credit would make it easier for taxpayers to determine whether they qualify for the earned income credit and would reduce inadvertent errors caused by different definitions. The elimination of nontaxable compensation from the definition of earned income would alleviate confusion as to what constitutes earned income and enable taxpayers to determine earned income from information already included on the tax return.

This recommendation could provide simplification for as many as 19 million returns, the number of returns estimated to claim the credit in 2001.

Head of household filing status

The Joint Committee staff recommends that head of household filing status should be available with respect to a child only if the child qualifies as a dependent of the taxpayer under the Joint Committee staff's recommended uniform definition of qualifying child. Applying the uniform definition of child recommended by the Joint Committee staff would make it easier for taxpayers to determine if they are eligible for head of household status due to a child and reduce taxpayer errors due to differing definitions of qualifying child.

This recommendation could provide simplification for up to 18 million returns that are estimated to be filed in 2001 using head of household filing status.

Surviving spouse status

The Joint Committee staff recommends that surviving spouse status should be available only for one year and that the requirement that the surviving spouse have a dependent should be eliminated. The recommendation would eliminate confusion about who qualifies for surviving spouse status.

Phase-outs and phase-ins

The Joint Committee staff recommends that the following phase-outs should be eliminated: (1) overall limitation on itemized deductions (known as the "PEASE" limitation); (2) phase-out of personal exemptions (known as "PEP"); (3) phase-out of child credit; (4) partial phase-out of the dependent care credit; (5) phase-outs relating to individual retirement arrangements; (6) phase-out of the HOPE and Lifetime Learning credits; (7) phase-out of the deduction for student loan interest; (8) phase-out of the exclusion for interest on education savings bonds; and (9) phase-out of the adoption credit and exclusion.

These phase-outs require taxpayers to make complicated calculations and make it difficult for taxpayers to plan whether they will be able to utilize the tax benefits subject to the phase-outs. Eliminating the phase-outs would eliminate complicated calculations and make planning easier. These phase-outs primarily address progressivity, which can be more simply addressed through the rate structure.

This recommendation would provide simplification for up to 30 million returns that are subject to one or more of the present law phase-outs and phase-ins.

Taxation of Social Security benefits

The Joint Committee staff recommends that the amount of Social Security benefits includible in gross income should be a fixed percentage of benefits for all taxpayers. The Joint Committee staff further recommends that the percentage of includible benefits should be defined such that the amount of benefits excludable from income approximates individuals' portion of Social Security taxes. The recommendation would eliminate the complex calculations and 18-line worksheet currently required in order to determine the correct amount of Social Security benefits includible in gross income. This recommendation could provide simplification for as many as 12 million returns that show taxable Social Security benefits; 5.7 million of such returns are in the income phase-out range.

Individual capital gains and losses

The Joint Committee staff recommends that the current rate system for capital gains should be replaced with a deduction equal to a fixed percentage of the net capital gain. The deduction should be available to all individuals. The recommendation would simplify the computation of the taxpayer's tax on capital gains and streamline the capital gains tax forms and schedules for individuals for as many as 27 million returns estimated to have capital gains or losses in 2001.

The Joint Committee staff recommends that, for purposes of ordinary loss treatment under sections 1242 and 1244, the definition of small business should be conformed to the definition of small business under section 1202, regardless of the date of issuance of the stock. The recommendation would reduce complexity by conforming the definition of small business that applies for purposes of preferential treatment of capital gain or loss.

Two-percent floor on miscellaneous itemized deductions

The Joint Committee staff recommends that the two-percent floor applicable to miscellaneous itemized deductions should be eliminated. The Joint Committee staff finds that the two-percent floor applicable to miscellaneous itemized deductions has added to complexity because it has: (1) placed pressure on individuals to claim that they are independent contractors, rather than employees; (2) resulted in extensive litigation with respect to the proper treatment of certain items, such as attorneys' fees; (3) resulted in inconsistent treatment with respect to similar items of expense; and (4) created pressure to enact deductions that are not subject to the floor. Although the two-percent floor was enacted, in part, to reduce complexity, it has instead shifted complexity to these other issues relating to miscellaneous itemized deductions.

Provisions relating to education

Definition of qualifying higher education expenses

The Joint Committee staff recommends that a uniform definition of qualifying higher education expenses should be adopted. A uniform definition would eliminate the need for taxpayers to understand multiple definitions if they use more than one education tax incentive and reduce inadvertent taxpayer errors resulting from confusion with respect to the different definitions.

Combination of HOPE and Lifetime Learning credits

The Joint Committee staff recommends that the HOPE and Lifetime Learning credits should be combined into a single credit. The single credit would: (1) utilize the present-law credit rate of the Lifetime Learning credit; (2) apply on a per-student basis; and (3) apply to eligible students as defined under the Lifetime Learning credit.

Combining the two credits would reduce complexity and confusion by eliminating the need to determine which credit provides the greatest benefit with respect to one individual and to determine if a taxpayer can qualify for both credits with respect to different individuals.

Interaction among education tax incentives

The Joint Committee staff recommends that restrictions on the use of education tax incentives based on the use of other education tax incentives should be eliminated and replaced with a limitation that the same expenses could not qualify under more than one provision. The recommendation would eliminate the complicated planning required in order to obtain full benefit of the education tax incentives and reduce traps for the unwary. The recommendation would eliminate errors by taxpayers due to the provisions that trigger adverse consequences as a result of actions by persons other than the taxpayer.

Student loan interest deduction

The Joint Committee staff recommends that the 60-month limit on deductibility of student loan interest should be eliminated. The recommendation would make determining the amount of deductible interest easier because taxpayers would not need to determine the history of the loan's payment status.

Exclusion for employer-provided educational assistance

The Joint Committee staff recommends that the exclusion for employer-provided educational assistance should be made permanent. The recommendation would reduce administrative burdens on employers and employees caused by the present practice of allowing the exclusion to expire and then extending it. The recommendation would make it easier for employees to plan regarding education financing. The recommendation would eliminate the need to apply a facts and circumstances test to determine if education is deductible in the absence of the exclusion.

Taxation of minor children

The Joint Committee staff recommends that the tax rate schedule applicable to trusts should be applied with respect to the net unearned income of a child taxable at the parents' rate under present law. In addition, the Joint Committee staff recommends that the parental election to include a child's income on the parents' return should be available irrespective of (1) the amount and type of the child's income, and (2) whether withholding occurred or estimated tax payments were made with respect to the child's income. Utilizing the trust rate schedule would eliminate the complexity arising from the linkage of the returns of parent, child, and siblings. Expanding the parental election would decrease the number of separate returns filed by children.

4. Individual retirement arrangements, qualified retirement plans, and employee benefits

Individual retirement arrangements (“IRAs”)

The Joint Committee staff recommends that the income limits on eligibility to make deductible IRA contributions, Roth IRA contributions, and conversions of traditional IRAs to Roth IRAs should be eliminated. Further, the Joint Committee staff recommends that the ability to make nondeductible contributions to traditional IRAs should be eliminated. The Joint Committee staff recommends that the age restrictions on eligibility to make IRA contributions should be the same for all IRAs.

The IRA recommendations would reduce the number of IRA options and conform eligibility criteria for remaining IRAs, thus simplifying taxpayers’ savings decisions.

Recommendations relating to qualified retirement plans

Definition of compensation

The Joint Committee staff recommends that: (1) a single definition of compensation should be used for all qualified retirement plan purposes, including determining plan benefits, and (2) compensation should be defined as the total amount that the employer is required to show on a written statement to the employee, plus elective deferrals and contributions for the calendar year. The recommendation would eliminate the need to determine different amounts of compensation for various purposes or periods.

Nondiscrimination rules for qualified plans

The Joint Committee staff recommends that: (1) the ratio percentage test under the minimum coverage rules should be modified to allow more plans to use the test, (2) excludable employees should be disregarded in applying the minimum coverage and general nondiscrimination rules, and (3) the extent to which cross-testing may be used should be specified in the Code. The first recommendation would simplify minimum coverage testing by eliminating the need for some plans to perform the complex calculations required under the average benefit percentage test. The second recommendation would simplify nondiscrimination testing by eliminating the need to analyze the effect of covering excludable employees under the plan. The third recommendation would provide certainty and stability in the design of qualified retirement plans that rely on cross-testing by eliminating questions as to whether and to what extent the cross-testing option is available.

Vesting requirements

The Joint Committee staff recommends that the vesting requirements for all qualified retirement plans should be made uniform by applying the top-heavy vesting schedules to all plans. A single set of vesting rules would provide consistency among plans and will reduce complexity in plan documents and in the determination of vested benefits.

SIMPLE plans

The Joint Committee staff recommends that the rules relating to SIMPLE IRAs and SIMPLE 401(k) plans should be conformed by (1) allowing State and local government employers to adopt SIMPLE 401(k) plans, (2) applying the same contribution rules to SIMPLE IRAs and SIMPLE 401(k) plans, and (3) applying the employee eligibility rules for SIMPLE IRAs to SIMPLE 401(k) plans. This recommendation would make choosing among qualified retirement plan designs easier for all small employers.

Definitions of highly compensated employee and owner

The Joint Committee staff recommends that uniform definitions of highly compensated employee and owner should be used for all qualified retirement plan and employee benefit purposes. Uniform definitions would eliminate multiple definitions of highly compensated employee and owner for various purposes, thereby allowing employers to make a single determination of highly compensated employees and owners.

Contribution limits for tax-sheltered annuities

The Joint Committee staff recommends that the contribution limits applicable to tax-sheltered annuities should be conformed to the contribution limits applicable to comparable qualified retirement plans. Conforming the limits would reduce the recordkeeping and computational burdens related to tax-sheltered annuities and eliminate confusing differences between tax-sheltered annuities and qualified retirement plans.

Minimum distribution rules

The Joint Committee staff recommends that the minimum distribution rules should be simplified by providing that: (1) no distributions are required during the life of a participant; (2) if distributions commence during the participant's lifetime under an annuity form of distribution, the terms of the annuity will govern distributions after the participant's death; and (3) if distributions either do not commence during the participant's lifetime or commence during the participant's lifetime under a nonannuity form of distribution, the undistributed accrued benefit must be distributed to the participant's beneficiary or beneficiaries within five years of the participant's death. The elimination of minimum required distributions during the life of the participant and the establishment of a uniform rule for post-death distributions would significantly simplify compliance by plan participants and their beneficiaries, as well as plan sponsors and administrators.

Exceptions to the early withdrawal tax; half-year conventions

The Joint Committee staff recommends that the exceptions to the early withdrawal tax should be uniform for all tax-favored retirement plans and that the applicable age requirements for the early withdrawal tax and permissible distributions from section 401(k) plans should be changed from age 59-1/2 to age 55. Uniform rules for distributions would make it easier for individuals to determine whether distributions are permitted and whether distributions will be subject to the early withdrawal tax.

Allow all governmental employers to maintain section 401(k) plans

The Joint Committee staff recommends that all State and local governments should be permitted to maintain section 401(k) plans. This will eliminate distinctions between the types of plans that may be offered by different types of employers and simplify planning decisions.

Redraft provisions dealing with section 457 plans

The Joint Committee staff recommends that the statutory provisions dealing with eligible deferred compensation plans should be redrafted so that separate provisions apply to plans maintained by State and local governments and to plans maintained by tax-exempt organizations. This will make it easier for employers to understand and comply with the requirements applicable to their plans.

Attribution rules

The Joint Committee staff recommends that the attribution rules used in determining controlled group status under section 1563 should be used in determining ownership for all qualified retirement plan purposes. Uniform attribution rules would enable the employer to perform a single ownership analysis for all relevant qualified retirement plan purposes.

Basis recovery rules for qualified retirement plans and IRAs

The Joint Committee staff recommends that a uniform basis recovery rule should apply to distributions from qualified retirement plans, traditional IRAs, and Roth IRAs. Under this uniform rule, distributions would be treated as attributable to basis first, until the entire amount of basis has been recovered. The uniform basis recovery rule would eliminate the need for individuals to calculate the portion of distributions attributable to basis and would apply the same basis recovery rule to all types of tax-favored retirement plans.

Modifications to employee benefit plan provisions

Cafeteria plan elections

The Joint Committee staff recommends that the frequency with which employees may make, revoke, or change elections under cafeteria plans should be determined under rules similar to those applicable to elections under cash or deferred arrangements. Applying simpler election rules to cafeteria plans would reduce confusion and administrative burdens for employers and employees.

Excludable employees

The Joint Committee staff recommends that a uniform definition of employees who may be excluded for purposes of the application of the nondiscrimination requirements relating to group-term life insurance, self-insured medical reimbursement plans, educational assistance programs, dependent care assistance programs, miscellaneous fringe benefits, and voluntary employees' beneficiary associations should be adopted. A uniform definition of excludable

employees would eliminate minor distinctions that exist under present law and make nondiscrimination testing easier.

5. Corporate income tax

Collapsible corporations

The Joint Committee staff recommends that the collapsible corporation provisions should be eliminated. This recommendation would eliminate a complex provision that became unnecessary with the enactment of the corporate liquidation rules of the Tax Reform Act of 1986.

Active business requirement of section 355

The Joint Committee staff recommends that the active business requirement of section 355 should be applied on an affiliated group basis. Thus, the “substantially all” test should be eliminated. This recommendation would simplify business planning for corporate groups that use a holding company structure.

Uniform definition of a family

The Joint Committee staff recommends that a uniform definition of a family should be used in applying the attribution rules used to determine stock ownership. For this purpose, a “family” should be defined as including brothers and sisters (other than step-brothers and step-sisters), a spouse (other than a spouse who is legally separated from the individual under a decree of divorce whether interlocutory or final, or a decree of separate maintenance), ancestors and lineal descendants. An exception would be provided with respect to limiting multiple tax benefits in the case of controlled corporations (section 1561), in which case the present-law rules of section 1563(e) would be retained. A single definition of a family would eliminate many of the inconsistencies in the law that have developed over time and would reflect currently used agreements relating to divorce and separation.

Redemption through use of related corporations (section 304)

The Joint Committee staff recommends that section 304 should apply only if its application results in a dividend (other than a dividend giving rise to a dividends received deduction). The recommendation would limit the application of a complex set of rules.

Corporate reorganizations

The Joint Committee staff recommends that assets acquired in a tax-free reorganization pursuant to section 368(a)(1)(D) or 368(a)(1)(F) should be allowed to be transferred to a controlled subsidiary without affecting the tax-free status of the reorganization. This recommendation would harmonize the rules regarding post-reorganization transfers to controlled subsidiaries and eliminate the present-law uncertainties with respect to such transfers.

The Joint Committee staff recommends that the rules relating to the treatment of property received by a shareholder in reorganizations involving corporations under common control or a

single corporation (or a section 355 transaction) should be conformed to the rules relating to the redemption of stock. This recommendation would simplify business planning by conforming the rules for determining dividend treatment if a continuing shareholder receives cash or other “boot” in exchange for a portion of the shareholder’s stock.

Corporate redemptions

The Joint Committee staff recommends that a stock redemption incident to a divorce should be treated as a taxable redemption of the stock of the transferor spouse, unless both parties agree in writing that the stock is to be treated as transferred to the other spouse prior to the redemption. If one spouse actually receives a distribution and purchases the other spouse’s stock, the form of the transaction would be respected. The recommendation would eliminate uncertainty and litigation regarding the treatment of the parties when a corporate stock redemption occurs incident to a divorce.

6. Pass-through entities

Partnerships

The Joint Committee staff recommends that references in the Code to “general partners” and “limited partners” should be modernized consistent with the purpose of the reference. In most cases, the reference to limited partners could be updated by substituting a reference to a person whose participation in the management or business activity of the entity is limited under applicable State law (or, in the case of general partners, not limited). In a few cases, the reference to limited partners could be retained because the provisions also refer to a person (other than a limited partner) who does not actively participate in the management of the enterprise, which can encompass limited liability company owners with interests similar to limited partnership interests. In one case, the reference to a general partner can be updated by referring to a person with income from the partnership from his or her own personal services. The recommendation would provide simplification by modernizing these references to accommodate limited liability companies, whose owners generally are partners within the meaning of Federal tax law, but are not either general partners or limited partners under State law.

The Joint Committee staff recommends that the special reporting and audit rules for electing large partnerships should be eliminated and that large partnerships should be subject to the general rules applicable to partnerships. The recommendation would simplify the reporting and audit rules by eliminating the least-used sets of rules.

The Joint Committee staff recommends that the timing rules for guaranteed payments to partners and for transactions between partnerships and partners not acting in their capacity as such should be conformed. The timing rule for all such payments and transactions should be based on the time the partnership takes the payment into account. The recommendation would provide simplification by eliminating one of two conflicting timing rules applicable to similar types of situations.

S corporations

The Joint Committee staff recommends that the special termination rule for certain S corporations with excess passive investment income should be eliminated. In addition, the corporate-level tax on excess passive investment income should be modified so that the tax would be imposed only on an S corporation with accumulated earnings and profits in any year in which more than 60 percent (as opposed to 25 percent) of its gross income is considered passive investment income. The recommendation would eliminate much of the uncertainty and complexity of present law for S corporations that are required to characterize their income as active or passive income, and at the same time would conform the tax with the personal holding company rules applicable to C corporations (that address a similar concern).

The Joint Committee staff recommends that the special rules for the taxation of electing small business trusts should be eliminated and that the regular rates of Subchapter J should apply to these trusts and their beneficiaries. Under this recommendation, no election to be a qualified subchapter S trust could be made in the future. The recommendation would eliminate some of the complexity regarding the operating rules for electing small business trusts as well as the overlapping rules for electing small business trusts and qualified Subchapter S trusts.

7. General business issues

Like-kind exchanges

The Joint Committee staff recommends that a taxpayer should be permitted to elect to rollover gain from the disposition of appreciated business or investment property described in section 1031 if like-kind property is acquired by the taxpayer within 180 days before or after the date of the disposition (but not later than the due date of the taxpayer's income tax return). The determination of whether properties are considered to be of a "like-kind" would be the same as under present law.

The Joint Committee staff recommends that, for purposes of determining whether property satisfies the holding period requirement for a like-kind exchange, a taxpayer's holding period and use of property should include the holding period and use of property by the transferor in the case of property (1) contributed to a corporation or partnership in a transaction described in section 351 or 721, (2) acquired by a corporation in connection with a transaction qualifying as a reorganization under section 368, (3) distributed by a partnership to a partner, and (4) distributed by a corporation in a transaction to which section 332 applies. In addition, the Joint Committee staff recommends that property whose use changes should not qualify for like-kind exchange treatment unless it is held for productive use in a trade or business or investment for a specified period of time.

The recommendation would reduce complexity by allowing taxpayers to reinvest the proceeds from the sale of business or investment property into other like-kind property directly without engaging in complicated "exchanges" designed to meet the statutory and regulatory rules regarding deferred exchanges. In addition, the recommendation would remove the confusion and uncertainty under section 1031 with respect to whether a taxpayer is considered to hold property

for productive use in a trade or business or for investment when the property has been recently transferred.

Low-income housing tax credit

The Joint Committee staff recommends that the payout period for the low-income housing tax credit should be conformed to the initial compliance period (15 years). This recommendation would eliminate the present-law credit recapture rules, which are a significant source of complexity for the credit.

Rehabilitation tax credit

The Joint Committee staff recommends that the 10-percent credit for rehabilitation expenditures with respect to buildings first placed in service before 1936 should be eliminated. Thus, the rehabilitation credit would not be a two-tier credit, but instead would provide only a 20-percent credit with respect to certified historic structures.

The recommendation would achieve simplification in two respects. First, it would eliminate the overlapping categories of “old” and “historic” buildings eligible for different levels of credit under present law. Second, it would eliminate the record-keeping burden currently imposed under the 10-percent credit.

Orphan drug tax credit

The Joint Committee staff recommends that the definition of qualifying expenses for the orphan drug tax credit should be expanded to include expenses related to human clinical testing incurred after the date on which the taxpayer files an application with the Food and Drug Administration for designation of the drug under section 526 of the Federal Food, Drug, and Cosmetic Act as a potential treatment for a rare disease or disorder. As under present law, the credit could only be claimed for such expenses related to drugs designated as a potential treatment for a rare disease or disorder by the Food and Drug Administration in accordance with section 526 of such Act. The recommendation would reduce complexity by treating all human clinical trial expenses in the same manner for purposes of the credit and any allowable deduction.

Work opportunity tax credit and welfare-to-work tax credit

The Joint Committee staff recommends that the work opportunity tax credit and welfare-to-work tax credit should be combined and subject to a single set of rules. The combined credit would be simpler for employers because they would use a single set of requirements when hiring individuals from all the targeted groups of potential employees.

Indian employment credit

The Joint Committee staff recommends that the Indian employment credit should be calculated without reference to amounts paid by the employer in 1993. Eliminating the incremental aspect of the credit would reduce the record retention burden on taxpayers in the event the credit is extended permanently.

Reduced emissions vehicles

The Joint Committee staff recommends that the tax benefit for reduced emissions vehicles should be a deduction of qualified expenses related to all such qualifying vehicles, provided that the Congress chooses to extend the tax benefits applicable to such vehicles. Fewer tax benefit options for a similar policy goal would simplify taxpayer decision making and promote a uniform incentive.

8. Accounting provisions

Cash method of accounting

The Joint Committee staff recommends that a taxpayer with less than \$5 million of average annual gross receipts should be permitted to use the cash method of accounting and should not be required to use an accrual method of accounting for purchases and sales of merchandise under section 471. A taxpayer that elects not to account for inventory under section 471 would be required to treat inventory as a material or supply that is deductible only in the amount that it is actually consumed and used in operations during the tax year. The recommendation would not apply to tax shelters and would not alter the rules for family farm corporations. The recommendation would enlarge the class of businesses that can use the cash method of accounting, which is a simpler method of accounting. Such businesses would have reduced recordkeeping requirements and would not need to understand the requirements associated with an accrual method of accounting.

Organizational costs

The Joint Committee staff recommends that the rules and requirements to elect to amortize organizational costs should be codified in a single Code provision irrespective of the choice of entity chosen by the taxpayer. In addition, organizational costs incurred in the formation of entities that are, or are elected to be, disregarded for Federal income tax purposes would be eligible to recover organization costs over 60 months. The recommendation would consolidate the rules governing the treatment of organizational costs for all types of entities into one provision and would clarify the tax treatment of organizational costs incurred with respect to legal entities that are disregarded for Federal income tax purposes.

Mid-quarter convention for depreciation

The Joint Committee staff recommends that the mid-quarter convention for depreciable property should be eliminated. This calculation, which requires an analysis of property placed in service during the last three months of any taxable year, can be complex and burdensome because taxpayers must wait until after the end of the taxable year to determine the proper placed-in-service convention for calculating depreciation for its assets during the taxable year. The recommendation would simplify the rules for calculating depreciation, because an analysis of property would no longer need to be performed with respect to property placed in service during the last three months of a taxable year to determine application of the mid-quarter convention.

9. Financial products and institutions

Straddle rules

The Joint Committee staff recommends that the general loss deferral rule of the straddle rules should be modified to allow the identification of offsetting positions that are components of a straddle at the time the taxpayer enters into a transaction that creates a straddle, including an unbalanced straddle. Straddle period losses would be allocated to the identified offsetting positions in proportion to the offsetting straddle period gains and would be capitalized into the basis of the offsetting position.

The Joint Committee staff recommends that the exception for stock in the definition of personal property should be eliminated. Thus, offsetting positions involving actively traded stock generally would constitute a straddle.

Modifying the general loss deferral rule to permit identification of offsetting positions in a straddle would eliminate an additional level of complexity and uncertainty encountered by taxpayers in applying the loss deferral rules to straddles, particularly unbalanced straddles. Similarly, eliminating the stock exception would simplify the straddle rules by eliminating an exception that has become very complex in practice and only applies to a narrow class of transactions.

Interest computation

The Joint Committee staff recommends that the eight different regimes for imposing interest on deferred taxes should be consolidated into three separate regimes: (1) an annual interest charge rule; (2) a look-back rule in which estimates are used; and (3) a look-back rule in which the tax is allocated to prior years based on the applicable Federal rate. The interest rate that would be applied in connection with the three separate regimes would be a uniform rate. Consolidating the interest charge rules would reduce complexity by providing a more uniform application of rules that fulfill the same policy of imposing interest on the deferral of tax. Computing the interest charges at a uniform rate would further reduce the complexity of interest charges.

Taxation of annuities

The Joint Committee staff recommends that section 72, relating to taxation of annuities, should be redrafted to eliminate overly convoluted language and improve the readability of the statutory language. The Joint Committee staff provides a recommended redraft of a portion of section 72 for public review and comment.

In addition, the Joint Committee staff recommends that the provisions of section 72 that apply to qualified retirement plans should be separated from the other provisions of section 72 and combined with the other rules governing the taxation of distributions from such plans. The recommendations would provide simplification by improving the readability of the provisions and by grouping related provisions together so they can be more easily found and understood.

Insurance companies

The Joint Committee staff recommends that the special rules permitting a deduction for certain reserves for mortgage guaranty insurance, lease guaranty insurance, and insurance of State and local obligations should be eliminated. The recommendation would reduce complexity by eliminating tax rules that principally serve a financial accounting purpose.

The Joint Committee staff recommends that the special rules provided to Blue Cross and Blue Shield organizations in existence on August 16, 1986, should be eliminated. Appropriate rules would be provided for taking into account items arising from the resulting change in accounting method for tax purposes. Complexity would be reduced by eliminating special rules that are based on historical facts and that are of declining relevance to the tax treatment of health insurers.

The Joint Committee staff recommends that the two five-year rules relating to consolidated returns of affiliated groups including life insurance companies and nonlife insurance companies should be eliminated. Appropriate conforming rules should be provided. The complexity both to the acquired corporations and the existing members of the affiliated group in corporate acquisitions involving life insurance and nonlife insurance companies would be reduced, with respect to recordkeeping and with respect to calculation of tax liability.

10. International provisions

Foreign personal holding companies, personal holding companies, and foreign investment companies

The Joint Committee staff recommends that (1) the rules applicable to foreign personal holding companies and foreign investment companies should be eliminated, (2) foreign corporations should be excluded from the application of the personal holding company rules, and (3) subpart F foreign personal holding company income should include certain personal services contract income targeted under the present-law foreign personal holding company rules. The recommendation would provide relief from the complex multiple sets of overlapping anti-deferral regimes that potentially apply to U.S. owners of stock in a foreign corporation.

Subpart F de minimis rule

The Joint Committee staff recommends that the subpart F de minimis rule should be modified to be the lesser of five percent of gross income or \$5 million (increased from the present-law dollar threshold of \$1 million). For taxpayers with relatively modest amounts of subpart F income, the recommendation would provide relief from the complexity and compliance burdens involved in separately accounting for income under the subpart F anti-deferral rules.

Look-through rule for 10/50 companies

The Joint Committee staff recommends that, for foreign tax credit limitation purposes, the look-through approach should be immediately applied to all dividends paid by a 10/50 company (regardless of the year in which the earnings and profits were accumulated). The

recommendation would provide relief from recordkeeping burdens on U.S. corporations required to account for dividends paid by a 10/50 company under both the single basket limitation approach and the look-through approach.

Deemed-paid foreign tax credits

The Joint Committee staff recommends that a domestic corporation should be entitled to claim deemed-paid foreign tax credits with respect to a foreign corporation that is held indirectly through a foreign or U.S. partnership, provided that the domestic corporation owns (indirectly through the partnership) 10 percent or more of the foreign corporation's voting stock. The recommendation would clarify uncertainty in the law that may exist with respect to the application of the indirect foreign tax credit rules when a partner indirectly owns an interest in a foreign corporation through a partnership.

Section 30A and section 936

The Joint Committee staff recommends that, if the credits under section 30A and section 936 are extended (these provisions will expire after 2005), consideration should be given to conforming the application of the credit across all possessions and to combining the rules in one Code section. The recommendation would improve the readability of the rules for potential credit claimants with operations in Puerto Rico and other U.S. possessions by consolidating similar requirements for claiming such credits in one Code section.

Uniform capitalization rules

The Joint Committee staff recommends that in lieu of the uniform capitalization rules, costs incurred in producing property or acquiring property for resale should be capitalized using U.S. generally accepted accounting principles for purposes of determining a foreign person's earnings and profits and subpart F income. The uniform capitalization rules would continue to apply to foreign persons for purposes of determining income effectively connected with a U.S. trade or business. The recommendation would relieve taxpayers and the IRS from the compliance and enforcement burdens associated with applying the uniform capitalization adjustments in the context of certain foreign activities.

Secondary withholding tax

The Joint Committee staff recommends that the secondary withholding tax with respect to dividends paid by certain foreign corporations should be eliminated. The recommendation would spare taxpayers the burden of having to understand and comply with rules that have limited applicability, and relieve the IRS of the difficult task of trying to enforce the tax against a foreign corporation with little or no assets in the United States.

Tax on certain U.S.-source capital gains of nonresident individuals

The Joint Committee staff recommends that the 30-percent tax on certain U.S.-source capital gains of nonresident individuals should be eliminated. The recommendation would spare nonresident individuals with U.S. investments the burden of having to understand and comply with a rule that has limited applicability.

Treaties

The Joint Committee staff recommends that the Secretary of the Treasury should update and publish U.S. model tax treaties at least once each Congress. The recommendation would help inform potentially affected taxpayers of the Administration's current treaty policy goals, afford affected taxpayers the opportunity to offer more helpful commentary to treaty policy makers, and enable affected taxpayers to make more informed assessments regarding investments in countries in which treaty negotiations are being carried out.

The Joint Committee staff recommends that the Treasury should report to the Congress on the status of older U.S. tax treaties at least once each Congress. The recommendation would establish a process for renewing older U.S. tax treaties that may not reflect current policy and that provide different tax outcomes than do more recent U.S. tax treaties. Timely updates of U.S. tax treaties would reduce complexity that may arise for taxpayers and tax administrators as any one taxpayer may be subject to multiple different tax regimes on otherwise similar transactions by reason of the transactions involving different taxing jurisdictions with different treaties.

11. Tax-exempt organizations

Grass-roots lobbying

The Joint Committee staff recommends that the separate expenditure limitation on grass-roots lobbying by certain tax-exempt organizations should be eliminated. Eliminating this limitation would relieve charities making the section 501(h) election of the need to define and allocate expenses for grass-roots lobbying as a subset of total lobbying expenditures. This would simplify the Code and regulations by eliminating a largely unnecessary, but burdensome, process of definition and calculation.

Excise tax based on investment income

The Joint Committee staff recommends that the excise tax based on the investment income of private foundations should be eliminated. The recommendation would relieve private foundations of having to calculate net investment income, to make estimated tax payments, and to consider whether annual charitable distributions should be increased or decreased because of the two-tiered nature of the tax. In addition, taxable foundations would not be required to calculate the unrelated business income tax they would have been required to pay if they were a taxable organization. Short of elimination, the tax could be revised to generate less revenue and at the same time become less complex, for example, by basing the tax on a percentage of the value of a private foundation's assets at the end of a taxable year.

12. Farming, distressed communities, and energy provisions

Conservation payments

The Joint Committee staff recommends that the Code should be amended to reflect that the agricultural conservation program authorized by the Soil Conservation and Domestic Allotment Act has been replaced by the Environmental Quality Incentives Program. The

recommendation would clarify that cost-sharing payments under the Environmental Quality Incentives Program are excludable from gross income.

Reforestation expenses

The Joint Committee staff recommends that the separate seven-year amortization and tax credit for \$10,000 of reforestation expenses should be replaced with expensing of a specified amount of reforestation expenses. Expensing could provide approximately the same tax benefit for qualified reforestation expenditures without requiring two distinct calculations and without requiring the additional recordkeeping to carry forward the taxpayer's unamortized basis in the expenditures through eight taxable years.

Sales of timber qualifying for capital gains treatment

The Joint Committee staff recommends that (1) the sale of timber held more than one year by the owner of the land from which the timber is cut should be entitled to capital gain treatment and (2) the provision relating to a retained economic interest should be eliminated. The recommendation would eliminate the need to make subjective determinations of dealer status with respect to sales of timber and would eliminate a source of controversy and litigation.

District of Columbia ("D.C.") Enterprise Zone

The Joint Committee staff recommends that, if the D.C. Enterprise Zone is to be extended for a significant period of time, then the poverty rates and the gross income thresholds applicable to the zero-percent capital gains rate should be conformed to the poverty rates and gross income thresholds that apply to the other tax incentives with respect to the D.C. Enterprise Zone. Thus, the Joint Committee staff recommends that a new business should qualify for the zero-percent capital gains rate if (1) more than 50 percent (rather than 80 percent) of its gross income is from the active conduct of a qualified business within the zone, and (2) the business is located in census tracts with at least a 20-percent (rather than 10 percent) poverty rate. The recommendations would eliminate much of the confusion, as well as traps for the unwary, for businesses that locate in the D.C. Enterprise Zone by providing a single gross income and single poverty test for determining whether a new business qualifies for the various tax incentives.

Tax incentives for business located in targeted geographic areas

The Joint Committee staff recommends that a uniform package of tax incentives for businesses that locate in targeted geographic areas should be adopted. In addition, the targeted geographic areas that would be eligible for the tax incentives would be determined based on the application of a consistent set of economic measurements. The recommendation would eliminate many of the complexities that exist under present law for businesses in determining where to locate its business facilities, and for the Treasury, the IRS, and State and local agencies in selecting the distressed areas complying with the tax laws and monitoring the effectiveness of the tax incentives.

Geological and geophysical costs

The Joint Committee staff recommends that taxpayers should be permitted immediate expensing of geological and geophysical costs. The recommendation would reduce complexity by eliminating the need to allocate such expenses to various properties and by eliminating the need to make factual determinations relating to the properties, such as what constitutes an area of interest and when a property is abandoned.

13. Excise taxes

Highway Trust Fund excise taxes

The Joint Committee staff recommends that the number of taxes imposed to finance Highway Trust Fund programs should be reduced by eliminating or consolidating the non-fuels taxes. The rates at which the fuels taxes or the restructured non-fuels taxes are imposed could be adjusted to ensure that future funding for Trust Fund programs is not affected. Adoption of this recommendation would reduce the number of taxpayers having direct involvement with the highway excise taxes. Further, the non-fuels taxes are heavily dependent on factual determinations; their elimination would end numerous audit issues between taxpayers and the IRS.

The Joint Committee staff recommends that the definition of highway vehicle should be clarified to eliminate taxpayer uncertainty about the taxability of motor fuels and retail sales (if the retail sales tax is retained). Enacting a single definition of highway vehicle would provide certainty to taxpayers.

The Joint Committee staff recommends that the option to pay the heavy vehicle annual use tax in quarterly installments should be eliminated (if that tax is retained). Elimination of this payment option would increase compliance with the highway excise taxes while eliminating the need for tracking relatively small amounts of tax due from numerous taxpayers.

The Joint Committee staff recommends that several technical modifications should be made to the present Code provisions governing motor fuels refund procedures and tax collection: (1) timing and threshold requirements for claiming quarterly refunds should be consolidated to allow a single claim to be filed on an aggregate basis for all fuels; (2) to the extent necessary to implement item (1), differing present-law exemptions should be conformed; (3) clarification of the party exclusively entitled to a refund should be provided in cases in which present law is unclear; (4) the regulatory definition of “position holder” (the party liable for payment of the gasoline, diesel fuel, and kerosene taxes) should be modified to recognize certain two-party terminal exchange agreements between registered parties; and (5) the condition of registration requiring terminals to offer for sale both undyed and dyed diesel fuel and kerosene should be eliminated. Consolidation and clarification of differing rules that affect similar transactions by taxpayers would provide certainty to taxpayers, as well as reducing needed IRS resources in administering these taxes.

Airport and Airway Trust Fund excise taxes

The Joint Committee staff recommends that liability for the commercial air transportation taxes should be imposed exclusively on transportation providers.

The Joint Committee staff recommends that the penalties for failure to disclose commercial air passenger tax on tickets and in advertising should be eliminated. Department of Transportation consumer protection disclosure requirements would remain in force for these as well as other currently regulated fees and charges.

The Joint Committee staff recommends that a uniform, statutory definition of the tax base for the commercial air freight tax should be enacted with any exclusion for accessorial ground services being specifically defined. This recommendation would provide a level playing field for all air freight carriers, and also would eliminate numerous audit disputes that occur under present law.

The Joint Committee staff recommends that the current definition of commercial air transportation, as applied to non-scheduled transportation, should be reviewed and, if appropriate, conformed to Federal Aviation Administration aircraft safety and pilot licensing regulations.

The Joint Committee staff recommends that the present-law Code provisions governing aviation fuel refund and tax collection procedures should be coordinated with comparable rules for Highway Trust Fund excise taxes, if possible.

Harbor Maintenance Trust Fund excise tax and tax on passenger transportation by water

The Joint Committee staff recommends that the Harbor Maintenance Trust Fund excise tax and the General Fund tax on passenger transportation by water should be eliminated. This recommendation would conform the Code to court decisions and U.S. international trade obligations.

Aquatic Resources Trust Fund excise taxes

The Joint Committee staff recommends that the sport fishing equipment excise tax should be eliminated. The current tax requires excessive factual determinations and disadvantages some industry participants relative to manufacturers of similar, untaxed articles that compete in the marketplace.

Federal Aid to Wildlife Fund and non-regular firearms excise taxes

The Joint Committee staff recommends that Federal Aid to Wildlife Fund and non-regular firearms excises taxes should be eliminated. If the taxes are retained, consideration should be given to (1) consolidating certain of the taxes and (2) changing the tax rates to fixed-amount-per-unit rates in lieu of the present ad valorem rate structure to reduce factual and tax-base issues arising under the current structure. Tax law simplification would be furthered if the dedicated taxes were repealed and the Wildlife Fund program financed with general revenue appropriations.

Black Lung Trust Fund excise tax

The Joint Committee staff recommends that the Code provisions on exported coal should be modified to eliminate the provisions imposing tax on coal mined for export in light of a recent court decision holding that portion of the tax to be unconstitutional.

Communications excise tax

The Joint Committee staff recommends that the present-law Federal communications excise tax should be eliminated. If the tax is not eliminated, the Joint Committee staff recommends that: (1) liability for the tax should be shifted to telecommunications service providers so that unpaid tax would be collected as part of regular bad debt collections; (2) the present Code provisions should be updated to reflect current technology; and (3) broad grants of regulatory authority should be provided to the Treasury to allow it continually to update the tax base to reflect future technological changes. Under present law, the communications tax does not reflect the state of technology in the industry, thereby giving rise to disparate treatment of different providers of similar services and requiring highly factual determinations as to when services are taxed.

Ozone-depleting chemicals excise tax

The Joint Committee staff recommends that the ozone-depleting chemicals excise tax should be eliminated as deadwood in light of provisions of the Montreal Protocol and the Clean Air Act that significantly restrict the use of the chemicals subject to tax.

Alcohol excise taxes

The Joint Committee staff recommends that the three separate excise taxes currently imposed on alcoholic beverages should be consolidated into a single tax, with the rate being based on alcohol content of the beverage. The Code provisions governing operation of alcohol production and distribution facilities similarly should be consolidated to the extent consistent with overall operation of Federal alcohol regulation laws.

The Joint Committee staff recommends that, if the current three-tax structure is retained, the reduced rates for production from certain small facilities and for distilled spirits beverages containing alcohol derived from fruit should be eliminated. This recommendation would result in identical beverages being subject to the same tax rate, thereby eliminating economic advantages that currently flow to some, but not all, producers of the same product as well as reducing recordkeeping requirements on taxpayers.

The Joint Committee staff recommends that the alcohol occupational taxes should be eliminated. These taxes are in the nature of business license fees and serve no tax policy purpose.

The Joint Committee staff recommends that the rules governing cover over of rum excise taxes to Puerto Rico and the U.S. Virgin Islands should be consolidated to reduce Federal administrative resources required for this revenue-sharing program.

Tobacco excise taxes

The Joint Committee staff recommends that the present excise taxes on pipe tobacco, roll-your-own tobacco, and cigarette papers and tubes should be consolidated into a single tax on pipe and roll-your-own tobacco.

The Joint Committee staff recommends that the tax rate imposed on cigars should be modified to eliminate the *ad valorem* component. Adoption of this recommendation would reduce audit issues as to the correct tax base in transactions where the products are sold between manufacturers and related parties in the distribution system.

The Joint Committee staff recommends that the tobacco occupational tax should be eliminated. This tax is in the nature of a business license fee and serves no tax policy purpose.

14. Tax-exempt bonds

Unrelated and disproportionate use limit

The Joint Committee staff recommends that the unrelated and disproportionate use limit under which no more than five percent of governmental bond proceeds may be used for a private purpose that is unrelated to the governmental activity also being financed should be eliminated. The general limits on private business use of governmental bond proceeds, combined with the requirement that certain larger issues receive an allocation of State private activity bond volume authority, adequately restrict issuance of tax-exempt governmental bonds to situations in which a private party does not receive excessive benefit.

Prohibition on use of private activity bond proceeds for certain business

The Joint Committee staff recommends that the prohibition on using private activity bond proceeds for certain business should be conformed for all such bonds and consolidated into one Code section. The multiple sets of rules for similar types of bonds create unnecessary complexity for taxpayers and the IRS.

Obsolete and near-obsolete provisions

The Joint Committee staff recommends that the special qualified mortgage bond rules for residences located in Federal disaster areas, which have expired, should be eliminated as deadwood.

The Joint Committee staff recommends that the temporary gubernatorial authority to allocate the private activity bond volume limits, which has expired, should be eliminated as deadwood.

The current qualified mortgage bond and qualified veterans' mortgage bond programs substantially overlap. The Joint Committee staff recommends that only one mortgage interest subsidy -- qualified mortgage bonds -- should be provided through the issuance of tax-exempt private activity bonds. Consolidation of two similar provisions would reduce the need for duplicate administrative agencies and eliminate potential confusion among potentially qualifying

beneficiaries and among potential lenders in those States that issue both qualified mortgage bonds and qualified veterans' mortgage bonds.

The Joint Committee staff recommends that the \$150 million limit for qualified section 501(c)(3) bonds should be eliminated as it relates to capital expenditures incurred before the date of enactment of the Taxpayer Relief Act of 1997. This limit was repealed in 1997 for capital expenditures incurred after enactment of the Taxpayer Relief Act.

The Joint Committee staff recommends that the qualified small-issuer exception for certain bank-qualified bonds should be eliminated in light of the development since 1986 (when the rule was enacted) of State bond banks and revolving pools that provide needed market access for smaller governmental units without the bank subsidy provided by the exception. In addition, provisions of the Community Reinvestment Act now require banks to invest in local projects without regard to subsidies such as that provided by this exception. The elimination of this exception would help streamline the arbitrage rebate rules without disadvantaging qualified small-issuers.

Public notice requirement

The Joint Committee staff recommends that the "public notice" requirement for a qualified private activity bond should be allowed to be satisfied by other media if the objective of reasonable coverage of the population can be met. For example, notice via the Internet in addition to radio and television would satisfy an expanded public notice requirement. The Joint Committee staff recommends that, in lieu of a public hearing, the public comment requirement should be satisfied by written response and Internet correspondence. The recommendation would reduce the compliance burden by offering issuers less costly ways to obtain public scrutiny of proposed bond issues.

Arbitrage rebate

The Joint Committee staff recommends that the present-law construction period spend down exception should be expanded to 36 months with prescribed intermediate targets. Expanding the present-law construction period spend down exception to somewhat longer construction projects would expand the number of issuers who are not required to track temporary investments and compute arbitrage without creating excessive incentives to issue bonds in larger amounts or earlier than needed for governmental purposes in order to invest proceeds for profit.

The Joint Committee staff recommends an increase to the basic amount of governmental bonds that small governmental units may issue without being subject to the arbitrage rebate requirement from \$5 million to \$10 million. Specifically, these governmental units would be allowed to issue up to \$15 million of governmental bonds in a calendar year provided that at least \$5 million of the bonds are used to finance public schools. This recommendation reflects the increased dollar costs of activities financed by smaller governments since the provision was enacted in 1986 without expanding the benefit beyond those smaller governments that often lack in-house accounting staff to perform needed investment tracking and arbitrage calculations.

15. Estate and gift tax

The Joint Committee staff recommends that the qualification and recapture rules contained in the special-use valuation and the qualified family owned business provisions be conformed to the extent practicable. Uniform rules to the extent practicable would make these related estate tax benefits easier to understand and administer.

16. Deadwood provisions

The Joint Committee staff recommends that out of date and obsolete provisions in the Code should be eliminated. The Joint Committee staff has identified more than 100 provisions that could be eliminated as deadwood.

II. MANDATE FOR STUDY AND JOINT COMMITTEE STAFF STUDY METHODOLOGY

A. Study Mandate and Legislative Background

1. Study mandate

In general

The complexity of the present-law Federal tax system has received attention from commentators, tax practitioners, tax administrators, and legislators for many years. Indeed, this is not the first time the Joint Committee has been directed to conduct a study of the complexity of the Federal tax system. In 1926, the Congress, in establishing the Joint Committee, created a statutory responsibility in the Joint Committee to (1) investigate measures and methods for the simplification of Federal taxes, particularly the income tax, and (2) to publish, from time to time, for public examination and analysis, proposed measures and methods for simplifying Federal taxes.² The first report of the Joint Committee was published in 1928.³ In this report, the Joint Committee staff made the following observations about simplification:

In approaching the simplification of the income tax, two essentially different aspects of its operation must be recognized and each measure of relief must be tested from both viewpoints. Relatively small sums are collected from a great many taxpayers whose sources of income are few and simple. On the other hand, relatively large sums are collected from a small group whose incomes often result from the highly complicated operations of modern business. *It must be recognized that while a degree of simplification is possible, a simple income tax for complex business is not.* The task is to simplify the law and the administration for all taxpayers so far as possible, without causing real hardship to those with complex sources of income and varied business enterprises who can not be taxed justly under a simple, elementary law.

The act itself may be simplified by two principal methods. The first is to simplify the underlying policies or principles; the second to simplify the arrangement, phraseology, and other matters of form. Both are indispensable.”⁴

The Tax Reform Act of 1976 directed the Joint Committee to conduct a study regarding simplifying and indexing the Federal tax laws.⁵ The study was required to include a consideration of whether tax rates could be reduced by repealing any or all tax deductions,

² Section 1203(c) of the Revenue Bill of 1926.

³ *Report of the Joint Committee on Internal Revenue Taxation, Volumes I, II, and III* (1928).

⁴ *Id.*, at 5.

⁵ Pub. Law No. 94-455.

exemptions or credits. The Joint Committee staff published its report to the Congress on September 19, 1977.⁶ In this study, the Joint Committee staff discussed the fact that simplification may mean different things to different groups (e.g., individual taxpayers, corporations, tax administrators, and tax practitioners). In this regard, the Joint Committee staff report stated:

. . . The relative importance of simplification depends upon the context in which it is placed. In terms of impact upon our voluntary self-assessment system, the need for simplification may be less urgent in those contexts which do not affect the majority of taxpayers. Yet, in all cases, the issue of tax simplification involves record-keeping requirements and forms. It affects the ease of taxpayer compliance, and the ease of governmental administration. It deals with certainty, and with the ability to obtain an answer and to know thereafter what consequences reasonably will result from that determination.

“Simplification, therefore, cannot be considered as an isolated issue, since its desirability depends on the perspective from which it is viewed. However, regardless of perspective, tax simplification is important because of the adverse impact complexity may have on the integrity of our voluntary self-assessment system.”⁷

In conducting this study, the Joint Committee staff found that many of the issues relevant to a consideration of possible simplification measures in 1926 and in 1977 continue to be relevant today.

Joint Committee on Taxation study of the overall state of the Federal tax system

Under the Internal Revenue Service Restructuring and Reform Act of 1998 (the “IRS Reform Act”), the Joint Committee is required to report, at least once each Congress, to the Senate Committee on Finance and the House Committee on Ways and Means on the overall state of the Federal tax system.⁸ This study is to include recommendations with respect to possible simplification proposals and such other matters relating to the administration of the Federal tax system as the Joint Committee may deem advisable.

Preparation of the Joint Committee study is subject to specific appropriations by the Congress. For fiscal year 2000, the staff of the Joint Committee on Taxation (“Joint Committee staff”) advised the House and Senate Appropriations Committees that an appropriation of

⁶ Joint Committee on Taxation, *Issues in Simplification of the Income Tax Laws* (JCS-57-77), September 19, 1977.

⁷ *Id.*, at 9.

⁸ Sec. 8022(3)(B) of the Code (as added by sec. 4002(a) of the IRS Reform Act).

\$200,000 would be required for the Joint Committee staff to undertake the study and amounts were appropriated for this purpose.⁹

The legislative history of the IRS Reform Act does not include any additional discussion of Congressional intent with respect to the study. However, Congressional concerns about the complexity of the Federal tax system are evident in a number of provisions of the IRS Reform Act that originate from recommendations of the National Commission on Restructuring the Internal Revenue Service.

2. Legislative background

National Commission on Restructuring the Internal Revenue Service

The National Commission on Restructuring the Internal Revenue Service (the “Commission”) was created in 1996 to examine the organization of the Internal Revenue Service (“IRS”) and to recommend actions to expedite the implementation of Tax Systems Modernization and improve service to taxpayers.¹⁰ The Commission issued a final report on June 25, 1997.¹¹ Many of the Commission’s recommendations were enacted in the IRS Reform Act.

The Commission found a clear connection between the complexity of the Internal Revenue Code (the “Code”) and the difficulty of tax law administration and taxpayer frustration. The Commission report noted that the frequency with which tax laws change also compounds the problem of tax administration. According to the Commission report:

While the Commission recognizes that much of the tax law’s complexity is a product of congressional and executive attempts to tailor the law narrowly while maintaining fairness, progressivity, and revenue neutrality, the fact remains that the law is overly complex and that this complexity is a large source of taxpayer frustration with the IRS.¹²

Thus, the Commission concluded that the Congress and the President should work toward simplifying the tax law however possible.

⁹ Written Testimony of the Honorable Bill Archer, Chairman, House Committee on Ways and Means, and the Honorable Bill Roth, Chairman, Senate Committee on Finance, on Behalf of the Joint Committee on Taxation Before the Subcommittee on Legislative of the House Committee on Appropriations, United States House of Representatives, February 3, 1999.

¹⁰ Pub. Law No. 104-52, sec. 637.

¹¹ *A Vision for a New IRS: Report of the National Commission on Restructuring the Internal Revenue Service*, June 27, 1997.

¹² *Id.*, at 35.

The Commission report recommended that a framework should be established to provide a process by which the Congress and the President would consider tax simplification legislation in a systematic and regular manner. The Commission recommended that the Congress consider creating a quadrennial review of the tax law for simplification. The Commission report further recommended that the Joint Committee should undertake a review of the Code using a tax complexity analysis and should work with the Department of the Treasury (“Treasury”), the IRS, and taxpayers to review the tax law for provisions that may have outlived their original purpose or that have been superseded by other legislation. The Commission report also included proposals to simplify the tax law.

The IRS Reform Act did not create a process for quadrennial review of possible simplification proposals. However, the IRS Reform Act imposed two statutory requirements on the Joint Committee with respect to simplification of the Federal tax laws: (1) this study; and (2) a tax complexity analysis to accompany certain legislation. In addition, the IRS Reform Act requires the Commissioner of Internal Revenue to report once each year to the Congress with respect to the sources of complexity in the administration of the Federal tax laws.

Joint Committee tax complexity analysis

As noted above, the IRS Reform Act created a statutory duty for the Joint Committee (in consultation with the IRS and the Treasury) to prepare a tax complexity analysis for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, and any conference committee if such legislation includes any provision that directly or indirectly amends the Code and has a widespread applicability to individuals or small businesses.

The Joint Committee considers a provision to have widespread applicability to individual taxpayers if the provision is expected to affect 10 percent of individual return filers (approximately 13 million tax returns for 2001). The Joint Committee considers a provision to have widespread applicability to small businesses if the provision is expected to affect 10 percent of businesses with annual gross receipts of \$5 million or less (approximately 2.6 million businesses for 2001). This definition of small business (annual gross receipts of \$5 million or less) covers approximately 24 million businesses (sole proprietorships, partnerships, and corporations) or approximately 99 percent of all such businesses in the United States.

The tax complexity analysis is required to include (1) an estimate of the number of taxpayers affected by a provision, and (2) if applicable, the income level of taxpayers affected by the provision.

In addition, if determinable, the analysis is to include the following information:

- (1) The extent to which tax forms supplied by the IRS would require revision and whether any new tax forms would be required;
- (2) The extent to which taxpayers would be required to keep additional records;
- (3) The estimated cost to taxpayers to comply with the provision;

- (4) The extent to which enactment of the provision would require the IRS to develop or modify regulatory guidance;
- (5) The extent to which the provision may result in disagreements between taxpayers and the IRS; and
- (6) Any expected impact on the IRS from the provision (including the impact on internal training, revision of the Internal Revenue Manual, reprogramming of computers, and the extent to which the IRS would be required to divert or redirect resources in response to the provision).

A point of order arises in the House of Representatives with respect to floor consideration of a bill or conference report if the required complexity analysis has not been provided.¹³ This point of order may be waived by a majority vote.

Commissioner's study of tax law complexity

The IRS Reform Act requires the Commissioner of Internal Revenue to conduct an annual analysis of the sources of complexity in the administration of the Federal tax laws. The Commissioner is required to report no later than March 1 of each year the results of its analysis to the Senate Committee on Finance and the House Committee on Ways and Means. The first Commissioner's report was issued on June 5, 2000.¹⁴

National Taxpayer Advocate's annual report to Congress

The IRS Reform Act requires the National Taxpayer Advocate to report once each year to the Congress. This report is required to include, among other things, a summary of at least 20 of the most serious problems encountered by taxpayers, including a description of the nature of the problem and an identification of areas of the tax law that impose significant compliance burdens on taxpayers or the IRS. The report of the National Taxpayer Advocate for fiscal year 2000 stated that complexity of the tax laws affecting individual is the most serious problem facing individual taxpayers.¹⁵

¹³ During the 106th Congress, the Joint Committee staff prepared a complexity analysis for 10 bills. Since the enactment of the requirement for a tax complexity analysis, a point of order has not been raised with respect to any bill.

¹⁴ *Annual Report from the Commissioner of the Internal Revenue Service on Tax Law Complexity*, June 5, 2000.

¹⁵ *National Taxpayer Advocate's FY2000 Annual Report to Congress*.

B. Joint Committee Staff Study Methodology

The following discussion outlines the methodology employed by the Joint Committee staff to review the overall state of the Federal tax system and the process by which the Joint Committee staff (1) identified provisions adding complexity to present law and (2) developed recommendations to simplify the law.

1. Review of the overall state of the Federal tax system

Review of prior simplification proposals

The Joint Committee staff undertook an extensive study of prior simplification proposals. This study included review of legal and economic literature making simplification and other legislative recommendations during the past 10 years; prior published and unpublished work of the Joint Committee with respect to simplification; various published Treasury studies; materials published by the Taxpayer Advocate and the Commissioner of Internal Revenue, including the Tax Complexity Study issued by the Commissioner on June 5, 2000; and published simplification recommendations of various professional organizations, including the American Bar Association, the American Institute of Certified Public Accountants, and the Tax Executives Institute.

Advisors to the Joint Committee

The Joint Committee staff assembled two groups of advisors to assist in the analysis of various simplification proposals and to solicit simplification ideas that may not have been previously advanced.

Academic advisors

The Joint Committee staff convened a group of approximately 40 tax scholars (generally law school tax professors) with extensive experience relating to the Federal tax system. The Joint Committee staff held a series of meetings with these academic advisors, including a two-day meeting in June of 2000 and full day meetings in January and February of 2001. The academic advisors were asked by the Joint Committee staff to assist in identifying the areas of the Federal tax system in need of simplification, to suggest various simplification proposals, and to comment on simplification proposals raised by the Joint Committee staff. The academic advisors were given drafts of the Joint Committee staff recommendations for review and comment.

A list of the Joint Committee academic advisors is contained in Appendix A.

In the summer of 2000, the Joint Committee staff issued a call for papers to the academic advisors on topics relating to simplification of the Federal tax system. The papers that were submitted to the Joint Committee staff are published without comment in Volume III of this study.

Three academic advisors served as consultants to the Joint Committee staff during the study. These advisors were asked to undertake in-depth analysis of certain of the issues under review by the Joint Committee staff.

Tax policy advisors

The second group of advisors consisted of individuals who held high-level tax policy positions in the Federal government, listed in Appendix B. These individuals included former Commissioners of Internal Revenue and IRS Chief Counsels, former Treasury Assistant Secretaries for Tax Policy, and former Joint Committee Chiefs of Staff. The Joint Committee staff met with this group of advisors in May of 2000, consulted with these advisors on an informal basis, and invited the advisors to attend meetings with the Joint Committee staff's academic advisors.

Meetings with IRS

In addition to reviewing materials relating to simplification prepared by the Commissioner of Internal Revenue and the Taxpayer Advocate, the Joint Committee staff conducted a full-day meeting with representatives of the IRS to solicit comment and suggestions on specific issues under the Federal tax system. In addition, Joint Committee staff met separately with the IRS and the Director of the American University Washington College of Law Tax Clinic on issues relating to the present-law earned income credit.

General Accounting Office

The Joint Committee staff requested the General Accounting Office to provide information that would assist in measuring the effects of complexity on taxpayers. The Joint Committee staff asked the General Accounting Office provide information relating to the size of the Code, the number of forms, instructions, and publications, and taxpayer errors and requests for assistance to the IRS. Specifically, the Joint Committee staff asked the General Accounting Office to provide the following information:

- (1) Number of sections or provisions in the Code, cross referenced by categories based on the IRS new divisions;
- (2) The number of words in the Code;
- (3) The number of people filing or claimed on returns in 1990, 1995, and 1997 as a percentage of the population and number of taxpayers not legally required to file;
- (4) The number of income tax returns filed unnecessarily in 1990, 1995, and 1999;
- (5) Lists of IRS forms and schedules for 1999 organized by categories, number of forms, number of lines, and number of pages of instructions;
- (6) Lists of IRS forms and schedules and number of pages of each for 1995 and 1991;
- (7) For 1999, the number of IRS publications and number of pages;

- (8) For 1999, a listing of all worksheets contained in the instructions to IRS forms;
- (9) Number of taxpayers filing forms for 1997, 1990, 1980, 1970, and 1960 by individual tax forms, business tax forms, and taxpayer characteristics (e.g., filing status and income);
- (10) Number of individual returns using paid preparers in 1975, 1980, 1985, and 1990-1997 by filing status, return type, and taxpayer characteristics;
- (11) Number of computer-generated income tax returns dating as early as possible for corporations and individuals;
- (12) Information on the sale of tax return software;
- (13) Number of taxpayers assisted in 1995-2000, 1990, 1985, 1980, 1975, and 1970 through correspondence, walk in, and telephone;
- (14) The ten most common issues raised for each type of assistance requested of the IRS;
- (15) Number of taxpayers assisted in 1995-2000, 1990, 1985, 1980, and 1975 in VITA and TCE;
- (16) The ten most common errors made on returns for 1999 categorized by small, medium and large corporations; individuals with income below and above \$50,000; taxpayers filing schedule C or F; and estates above and below \$5 million;
- (17) An explanation of the IRS methodology for estimating the time required for taxpayers to complete IRS forms and schedules;
- (18) List of statutorily requested studies of the IRS or Treasury since 1986;
- (19) The ten Code sections most often audited for 1999 among individuals and corporations;
- (20) The ten issues most often audited in 1997-1999 by subject matter, type of audit, and recommended amounts categorized by small, medium and large corporations; individuals with income below and above \$50,000; taxpayers filing schedule C or F; and estates above and below \$5 million;
- (21) Number of appealed cases in 1999 by the top issues and amount of the appeal and characteristics;
- (22) Number of U.S. Tax Court, U.S. district court, and U.S. Court of Federal Claims cases received by Chief Counsel in 1999 by tax or penalty amounts and types of issues;
- (23) Guidance provided by the IRS in 1990-1999;

- (24) Number of words and pages contained in the most recent set of regulations and each type of guidance in 1990-1999 (and in 1954 and 1986, if possible); and
- (25) Number of qualified retirement plans, and types of plans, that are determined each year to be top heavy and are required to comply with the top-heavy requirements.

The material provided by the General Accounting Office is published without comment in Appendix C of Volume I of this study.

Congressional Research Service

The Joint Committee staff asked the Congressional Research Service to provide the following information:

- (1) Significant legislative changes to the Code;
- (2) A listing of recent legislative proposals that were intended to simplify the Code;
- (3) A listing of specific regulatory authority delegated to the Treasury in Public Laws amending the Code;
- (4) A summary of Public Laws intended to simplify the Code;
- (5) An analysis of the impact that State and foreign laws have on the Code; and
- (6) Information on the efforts of foreign countries to simplify their tax laws.

The material provided by the Congressional Research Service is published without comment in Appendix D of Volume I of this study.

2. Identifying provisions adding complexity

Complexity in the Federal tax laws takes different forms. The Joint Committee staff observed at least three general categories of complexity: computational complexity, transactional complexity, and drafting complexity.

Computational complexity generally refers to calculations that are required to determine tax liability. Complex or numerous calculations increase both the time it takes for taxpayers to fill out returns and the likelihood of errors. The need to perform complex calculations may often lead taxpayers to hire tax professionals or purchase tax preparation software to assist in return preparation.

Transactional complexity generally refers to the extent to which the tax laws complicate the planning and execution of transactions by taxpayers. Transactional complexity can result not only because the tax laws applicable to any particular transaction are complex, but also because there may be multiple provisions covering similar or related fact situations and each provision may generate a different tax result. Transactional complexity caused by multiple

provisions may distort economic decision-making, thus causing taxpayers to structure transactions in a particular manner solely because of tax consequences.

Drafting complexity generally refers to complexity that results from the way in which the tax laws are written. This type of complexity is likely to be an issue principally for tax practitioners. This type of complexity may make it harder for practitioners to understand the law, either because the law is not written clearly or because the relevant law on a particular issue is scattered throughout the Code. Drafting complexity may increase the time it takes tax practitioners to understand the tax law and also may increase the likelihood of incorrect interpretations of the law.

In conducting this study, the Joint Committee staff looked at a variety of factors that contribute to complexity. Although the Joint Committee staff's focus was on complexity as it affects taxpayers (either directly or through the application of the law by tax practitioners), the Joint Committee staff also took into account complexity encountered by the IRS in administering the tax laws. The Joint Committee staff generally did not take into account the level of sophistication of taxpayers or the complexity of transactions in identifying complex provisions; however, as discussed below, this was a factor taken into account in making recommendations for simplification.

Factors the Joint Committee staff analyzed in identifying provisions that add complexity include the following:

- (1) the existence of multiple provisions with similar objectives;
- (2) the nature and extent of mathematical calculations required by a provision;
- (3) error rates associated with a provision;
- (4) questions frequently asked the IRS by taxpayers;
- (5) the length of IRS worksheets, forms, instructions, and publications needed to explain and apply a provision;
- (6) recordkeeping requirements;
- (7) the extent to which a provision results in disputes between the IRS and taxpayers;
- (8) the extent to which a provision makes it difficult for taxpayers to plan and structure normal business transactions;
- (9) the extent to which a provision makes it difficult for taxpayers to estimate and understand their tax liabilities;
- (10) whether a provision accomplishes its purposes and whether particular aspects of a provision are necessary to accomplish the purposes of the provision;
- (11) lack of consistency in definitions of similar terms;

- (12) the extent to which a provision creates uncertainty;
- (13) whether a provision no longer serves any purpose or is outdated;
- (14) whether the statutory rules are easily readable and understandable;
- (15) the extent to which major rules are provided in regulations and other guidance rather than in the Code; and
- (16) the existence of appropriate administrative guidance.

3. Developing simplification recommendations

Overriding criterion for simplification recommendations

In developing possible simplification recommendations, the Joint Committee staff applied one overriding criterion: the Joint Committee staff would make a simplification recommendation only if the recommendation did not fundamentally alter the underlying policy articulated by the Congress in enacting the provision. Thus, when the Joint Committee staff considered a provision of present law that was identified as adding complexity, the Joint Committee staff asked whether the provision could be made simpler without altering the basic policy of the provision.

This criterion led the Joint Committee staff not to make certain possible simplification recommendations.¹⁶ For example, the distinctions in tax treatment under present law between capital gains and losses, and ordinary income and losses, give rise to significant complexity, but recommending changes to make the treatment more uniform would alter the underlying broad tax policy to favor investment in capital assets. The study includes a general discussion of provisions involving significant complexity but for which making a simplification recommendation would be inconsistent with the underlying policy.

The Joint Committee staff did not reject simplification recommendations merely because the proposal may alter the class of taxpayers affected by a provision. For example, the Joint Committee staff recommends repeal of many of the phase-out provisions of present law because the same policy can be served more simply through the rate bracket structure. However, the Joint Committee staff recognizes that addressing the repeal of phase-outs through the rate structure will affect different taxpayers in different ways.

In several instances, the Joint Committee staff concluded that a provision did not accomplish the underlying policy articulated when the provision was enacted. For example, the Joint Committee staff concluded that the individual alternative minimum tax now applies to significantly more taxpayers than was intended when the tax was enacted. In such instances, the Joint Committee staff concluded that recommending elimination or substantial modification of a provision was not inconsistent with the underlying policy.

¹⁶ This criterion also limited the scope of the study to the present-law income tax. Alternative tax systems and their possible effects on simplification were not examined.

Issues considered in developing simplification recommendations

In analyzing any proposal to simplify the present-law Federal tax system, the Joint Committee staff considered a variety of issues, including:

- (1) the extent to which simplification can be achieved by the proposal;
- (2) whether the proposal improves the fairness of the Federal tax system;
- (3) whether the proposal improves the understandability and predictability (i.e., transparency) of the Federal tax system;
- (4) the complexity of the transactions that would be covered under the proposal and the sophistication of affected taxpayers;
- (5) administrative feasibility and enforceability of the proposal;
- (6) the burdens imposed on taxpayers, tax practitioners, and tax administrators by changes in the tax law; and
- (7) whether a provision of present law can be repealed because it is duplicative or obsolete.

The Joint Committee staff did not take into account the possible revenue effects of any simplification proposal.

Achieving additional simplification

The Joint Committee staff analyzed each possible simplification recommendation to determine whether the proposal would in fact result in simplification compared to present law. In some cases, although a proposal might simplify present law in some respects, other aspects of a proposal might add complexity compared to present law. The Joint Committee staff recommended a proposal only if the proposal would clearly result in simplification. For example, the Joint Committee staff analyzed the rules relating to worker classification, and decided not to make a recommendation. This decision was due in part because the Joint Committee staff determined that any recommendation would involve fundamental policy decisions. In addition, the Joint Committee staff was unable to determine that any of the proposals considered would clearly result in simplification, regardless of the policy implications.

Fairness

The Joint Committee staff analyzed possible simplification proposals to ensure that they did not fundamentally alter the fairness of the present-law tax system. It is a generally accepted principle under the Federal tax system that taxpayers with similar amounts of income should pay similar amounts of Federal tax; this concept is referred to as horizontal equity.

Achieving greater horizontal equity sometimes requires distinctions that increase complexity, for example, adjustments for family size and type of taxpayer. In addition, even

though certain types of noncash income are difficult to value for purposes of taxation, taking account of such income arguably is necessary to achieve an accurate measure of ability to pay taxes and to maintain taxpayer confidence in the fairness of the system.

Because the Joint Committee staff did not make recommendations that fundamentally would alter the intended policy of a provision, the Joint Committee staff analyzed each proposal to determine whether it maintained horizontal equity among taxpayers.

Understandability and predictability

In analyzing possible simplification proposals, the Joint Committee staff evaluated whether any particular proposal would improve the understandability and predictability (i.e., transparency) of the Federal tax system.

In order for similarly situated individuals actually to bear similar tax liability, a tax system must be understandable and the outcome of calculations must be predictable; otherwise, differences in liabilities will occur based solely on misunderstanding of the law. In addition, if a tax system is not transparent, tax liability may vary (without regard to ability to pay) for taxpayers who invest time and resources (e.g., investments in tax shelters) in understanding (and abusing) the system. Thus, in addition to other advantages, simplicity makes equal treatment of similarly situated taxpayers more likely by increasing the likelihood that people of equivalent profiles will pay equivalent amounts of tax.

Complexity of transactions

In evaluating possible simplification recommendations, the Joint Committee staff considered the complexity of the transactions that would be covered by a particular recommendation. Some argue that the complexity of modern business transactions not only justifies, but necessarily requires, a complex set of Federal tax rules.

For example, the Joint Committee staff considered recommending that the rules relating to corporate mergers and acquisitions be simplified. Commentators have written about the complexity of these rules and tax practitioners acknowledge that they are among the most complex rules in the present-law Federal tax system. However, many of the experts the Joint Committee staff consulted recommended retaining the corporate merger and acquisition rules. Some of these experts argued that (1) although the rules are complex, practitioners understand and work with them on a daily basis, and (2) the rules do not add complexity for individual taxpayers. Thus, the Joint Committee staff concluded that, although the rules relating to corporate mergers and acquisitions are complex and often require significant resources, the limited number of taxpayers who must use these rules are generally able to obtain sophisticated tax advice to assist them. As a result, no specific simplification recommendation relating to corporate mergers and acquisitions was included in the study.

Administrative feasibility and enforceability

The Joint Committee staff considered whether a possible simplification proposal would improve the administration of the Federal tax system from the standpoint of taxpayers, tax practitioners, and the IRS.

In making recommendations, the Joint Committee staff took into account the fact that taxpayers and tax practitioners prefer rules that minimize the recordkeeping and reporting burdens to the greatest possible extent. In addition, it is important for the IRS to be able to train its employees to understand and apply uniformly the Federal tax laws. Furthermore, the IRS must be able to prepare clear and timely forms and instructions, taxpayer publications, and other forms of published guidance.

Burdens imposed by changes in the law

Frequent changes in the Federal tax laws contribute to complexity for taxpayers, tax practitioners, and tax administrators, who must all become familiar with the new provisions. New provisions require the IRS to retrain employees, modify forms and instructions, issue new guidance, and reprogram computers. The adoption of a simplification proposal could impose similar burdens on taxpayers, tax practitioners, and tax administrators.

The Joint Committee staff did not make a recommendation for simplification if the burdens imposed by the change were not justified by the possible simplification achieved. For example, the rules relating to employer-sponsored retirement plans are among the most complex in the Code. Some commentators have suggested that the present-law rules be replaced with a set of rules specifying model plans and provisions that must be used by employers that choose to adopt a plan. In addition to determining that such an approach would change fundamental policy, the Joint Committee staff determined that such a change would impose significant burdens on plan participants, employers, and the IRS in order to transition from present law to a new system.

Duplicative and obsolete provisions

Complexity is added to the present-law Federal tax system by provisions that are out of date, duplicative, or obsolete. Thus, the Joint Committee staff reviewed the Code for provisions that could be updated, or could be repealed as deadwood. Deadwood provisions are listed in a separate section of the Joint Committee staff recommendations.

PART TWO.--OVERALL STATE OF THE FEDERAL TAX SYSTEM

I. BACKGROUND INFORMATION ON THE FEDERAL TAX SYSTEM

This section contains background information on the sources of Federal tax law and data concerning the filing of tax forms, taxpayer assistance, and information on error rates and tax controversies. The Joint Committee staff asked the General Accounting Office and the IRS to collect information that would assist the Joint Committee staff in evaluating the overall state of the Federal tax system. Some of that data is presented below.

A. Sources of Federal Tax Law

The Internal Revenue Code

The Code is the statutory underpinning of the Federal tax system. Along with related documents, the Code is the cumulative official expression of Federal tax law. The Code includes direct or indirect contributions from all three branches of government, and it has been overhauled comprehensively several times while growing in length. While the Code provides the statutory record and guide for understanding the Federal tax system, a fuller understanding of that system requires investigation of other materials and resources, including the regulations, the various types of administrative guidance (including informal taxpayer assistance), and judicial opinions. Nevertheless, a survey of the structure of the Code is one starting point for evaluating the overall state of the Federal tax system.

The primary source of tax rules is the Internal Revenue Code of 1986, which superseded the Internal Revenue Code of 1954, which superseded the Internal Revenue Code of 1939. Prior to 1939, Federal tax statutes were not codified. Sections of the Code are revised frequently by acts of Congress. The Code contains both substantive law and the procedural rules applicable to tax controversies. Table I.1 in Appendix C presents a breakdown by the General Accounting Office of the sections of the Code as they apply to three types of taxpayers: (1) individuals (693 sections); (2) businesses, including businesses of all sizes, and self-employed individuals (1,501 sections); and (3) tax-exempt organizations, employer-sponsored plans for employees, and government entities (445 sections).¹⁷ This classification scheme is inclusive, so that provisions that affect more than one type of taxpayer are classified in more than one category.

This classification of Code sections by type of taxpayer is not definitive because it does not attempt to grade the complexity of each section, but the enumeration does suggest several issues. First, there are a substantial number of provisions in almost every category, and this multiplicity should be considered with the recognition that single Code sections often engender significant complexity. Second, the almost 700 sections affecting individuals support the view that complexity in the Federal tax system is not limited to complex business activities. Third, the relationship of the numbers in Table I.1 to complexity is not necessarily straightforward or additive. For example, it may be that two sections cause more than twice as much complexity as

¹⁷ In addition, the General Accounting Office identified 53 other sections that could not be placed into one of the above categories.

one section, given the natural cognitive limitations faced by taxpayers as they attempt to absorb additional information.

Other General Accounting Office calculations indicate the Code's breadth. As of May 2000, the Code contained 1,395,028 words, excluding notes and cross-references added in publication. In addition, the Code is not a static document but instead requires continuing interpretation either directly through statutory modification or indirectly through regulatory and other means.

Treasury regulations

The second principal source of tax rules is Treasury Regulations. Regulations are written largely by the office of the chief counsel of the IRS and the office of tax policy of the Treasury. There are three types of regulations: proposed, temporary and final. The publication of a regulation is accompanied by a "Treasury Decision," which provides a general overview of the reasons for, and provisions of, the regulation. Most regulations are issued first in proposed form in the *Federal Register*. Proposed regulations permit interested members of the public opportunities to comment on the regulations and suggest changes. Courts generally find that proposed regulations have no weight, but will sometimes refer to them if no other guidance is available. Some regulations remain "proposed" for many years. For example, the corporate sponsorship regulations under section 513 were proposed in January 1993 and remained proposed until new proposed regulations were released in March 2000.

When a need for guidance precludes the more time-consuming notice-and-comment procedure, temporary regulations may be issued. Temporary regulations also are issued automatically as proposed regulations and expire three years after they are issued.

A proposed or temporary regulation may be republished, often with modifications, as a final regulation. If changes are made to the proposed or temporary regulation, Treasury can finalize the regulation with amendments or repropose the regulation in amended form. Final regulations are presumed to have retroactive effect but Treasury can make the regulation prospective only.¹⁸

Most regulations are issued under the authority of section 7805(a) of the Code and are called "interpretive regulations." Courts generally defer to interpretive regulations if they are a reasonable implementation of the statute. If Congress provides an express authorization for Treasury to write regulations, e.g., sec. 385(a) ("The Secretary is authorized to prescribe such regulations as may be necessary or appropriate . . ."), such regulations are called "legislative regulations." Courts give legislative regulations even greater deference than interpretive regulations and generally overturn them only if they are plainly inconsistent with the statute. As of June 2000, the General Accounting Office calculated that the IRS had issued almost 20,000 pages of regulations containing over eight million words.¹⁹ During the calendar year 2000, the IRS published 60 Treasury Decisions containing temporary and final regulations, and 45 sets of

¹⁸ Sec. 7805(b).

¹⁹ Appendix C, at 37.

proposed regulations. Most of the effective dates of the final and temporary regulations were the dates they were published in the Federal Register, though a few had effective dates that related to other dates.²⁰ Most of the proposed regulations had prospective effective dates. Most of the year 2000 regulations derived from 1996 and 1997 legislation, though some related back to 1976 and 1982 legislation.

IRS administrative guidance

In addition to the Code and the regulations, there are numerous forms of administrative guidance published by the IRS. Revenue Rulings are subject to high-level review within the IRS and set forth the IRS's substantive legal position on an issue, typically as applied to a specific set of facts. In proceedings before the IRS, taxpayers may rely on Revenue Rulings. In litigation, Revenue Rulings do not have the force of law but courts generally consider them as indicative of the IRS's position and may find them binding on the IRS. Private Letter Rulings are issued at the request of a taxpayer when a taxpayer wants to know the tax consequences of a particular transaction. A Private Letter Ruling may be relied on only by the requestor of the ruling. Private Letter Rulings are not subject to high-level review and may not be cited as precedent.²¹ The IRS will not issue Private Letter Rulings in certain areas. Technical Advice Memoranda are virtually identical to Private Letter Rulings except Technical Advice Memoranda can be requested either by the taxpayer or by the IRS but only in connection with an IRS proceeding. Revenue Procedures generally involve mechanical rules, for example, rules detailing how to make an election or how to apply for a Private Letter Ruling. IRS substantive positions are sometimes embedded in a Revenue Procedure.

At a taxpayer's request, the IRS issues Determination Letters, which tell a taxpayer whether the taxpayer qualifies, for example, as a tax-exempt organization under section 501(c) or as a qualified plan under section 401. General Counsel Memoranda are prepared by the IRS General Counsel's Office, usually in connection with a Private Letter Ruling or Revenue Ruling. They are typically detailed considerations of the law, and although they transmit the reasoning of the IRS on an issue, they are not binding on the IRS and are not issued with the corresponding ruling. Other forms of guidance include Notices (similar to a press release), Announcements (also similar to a press release), Field Service Advice (advice from the National Office to an agent performing an audit in the field) and Actions on Decision or Acquiescences (statements issued after IRS loses a tax case in the courts as to whether IRS will continue with its litigating position in future cases). As discussed in Section I.B. of this Part, the IRS also provides guidance to taxpayers in its numerous publications and form packages.

In the year 2000, the IRS published 58 Revenue Rulings, 49 Revenue Procedures (IRS reissues certain standard Revenue Procedures each year, sometimes with minor changes), 64 Notices, 100 Announcements,²² no General Counsel Memoranda, at least 2400 Private Letter

²⁰ For example, though published in 2000, the regulations regarding transfers to regulated investment companies and real estate investment trusts were retroactive to June 10, 1987.

²¹ Sec. 6110(k)(3).

²² See Appendix D.

Rulings and Technical Advice Memoranda, 10 Actions on Decision, and 240 issuances of Field Service Advice. Between the calendar years 1990 and 1998, IRS published 739 Revenue Rulings, 633 Revenue Procedures, 514 Treasury Decisions, 505 Proposed Regulations, 622 Notices, and 114 Announcements (which were all in 1998).

Table 1. Guidance Published by the IRS, 1990-1998²³

Type of Guidance	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Revenue Ruling	112	70	112	94	82	85	65	57	62	739
Revenue Procedure	67	74	108	53	81	58	66	61	65	633
Treasury Decision	47	54	74	49	72	58	58	52	50	514
Proposed Regulation	48	83	67	57	53	49	49	46	53	505
Notice	75	44	61	60	103	67	68	77	67	622
Announcement	0	0	0	0	0	0	0	0	114	114

²³ See Appendix C at 31.

Between 1990 and 1999, IRS published 22,986 Private Letter Rulings, 1602 Technical Advice Memoranda, 3125 issuances of Field Service Advice, 84 General Counsel Memoranda, and 80 Actions On Decisions.

Table 2. Guidance Published by the IRS, 1990-1999²⁴

Type of Guidance	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
Private Letter Ruling	3456	2586	2273	2211	2068	2036	2022	2052	2222	2060	22986
Technical Advice Memorandum	124	201	253	173	161	153	154	149	119	115	1602
Field Service Advice	195	150	399	491	397	300	220	292	258	423	3125
General Counsel Memorandum	30	33	14	1	2	2	2	0	0	0	84
Action On Decision	20	7	5	7	7	10	10	7	7	N/A	80

Judicial opinions

Another source of guidance is judicial opinions. Different courts hear tax cases depending on the nature of the suit and the choice of the taxpayer.²⁵ A deficiency action must be filed in the Tax Court, whereas a refund action must be filed either in the Federal Court of Claims or local Federal District Court. Tax Court decisions generally are appealable to the Federal Circuit Court in which the taxpayer resides. Accordingly, under the so-called *Golsen* rule,²⁶ the Tax Court applies the law of the Circuit to which the case is appealable. Court of Federal Claims decisions are appealable to the Federal Circuit. District Court decisions are appealable to the Circuit Court in which the District is part. Decisions from the Circuit courts are appealable by writ of *certiorari* to the U.S. Supreme Court, which is granted rarely.

²⁴ *Id.* at 32.

²⁵ See a more detailed discussion of this issue in Volume II, Part Three, XVI.B.

²⁶ *Golsen v. Commissioner*, 54 T.C. 742 (1970).

IRS forms and publications

The General Accounting Office reports that for 1999 the IRS provided: 649 forms, schedules, and separate instructions totaling more than 16,000 lines; 159 worksheets; and over 300 publications with guidance on specific requirements of the tax system.²⁷ There is great variety in length and complexity of this guidance, with some instructions limited to one or a few pages (e.g., Form 1040-V, Payment Voucher) and others of some length (e.g., Form 1041, U.S. Income Tax Return for Estates and Trusts, and related schedules). For 1999, a taxpayer filing an individual income tax return could be faced with a return (Form 1040) with 79 lines, instructions for the return totaling 144 pages, 11 schedules totaling 443 lines with instructions, and 19 separate worksheets embedded in instructions.²⁸ In addition, the taxpayer may be required to file additional forms, such as Form 2441, Child and Dependent Care Expenses, and Form 8812, Additional Child Tax Credit. IRS Publication 17, Your Federal Income Tax, lists 18 forms commonly used by individual taxpayers other than Form 1040 and its schedules.

²⁷ Appendix C, Table II.1, at 38, and Table II.2, at 62.

²⁸ Appendix C, Table II.1, at 38.

B. Information Relating to the Filing of Tax Forms

The compliance effort required of taxpayers, and the IRS administrative effort, depends on the type of tax. Taxes that are largely withheld at the source or collected upon sale require different, often more limited, taxpayer responses than those that require individual taxpayers to monitor income or wealth over time. Separate requirements are imposed on businesses and others to act as intermediate collection agents for various Federal taxes.

IRS data show that over 100 million individual income tax returns are filed annually on behalf of roughly 90 percent of the U.S. population. Corporations file about five million returns annually, and about two million partnership returns are filed annually on behalf of about twenty million partners. In addition, nonprofit charitable organizations exempt from income tax under section 501(c)(3) filed almost 200,000 information returns in 1997.²⁹

Several changes occurred during the last decade within and among these broad categories of filers. A growing percentage of business receipts are now covered by tax returns filed by subchapter S corporations and partnerships. Schedule D usage on individual returns increased over the 1990-1997 period. At the same time, the number of taxpayers who itemized their deductions on Schedule A remained relatively stable.

Another taxpayer response is the usage of paid preparers. As discussed in Section III below, the usage of paid preparers can be attributed to many factors. As the General Accounting Office data in the Appendix show, the percentage of returns using paid preparers grew between 1990 and 1997.³⁰ Among groups of taxpayers using paid preparers, there was a noticeable increase in such usage by non-itemizing individual taxpayers. This increased usage of paid preparers by non-itemizers may be partially attributable to the expansion of the Earned Income Credit.

Sales information on tax return preparation software and electronic filing in the 1990s confirm that tax return filing is moving away from the traditional pen-paper-mail approach of the past and toward a computer-assisted method. The modest growth in these areas in the early 1990s seemed to accelerate as the decade ended.³¹

²⁹ Department of Treasury, Internal Revenue Service, "Charities and Other Tax Exempt Organizations, 1997," *Statistics Of Income Bulletin*, (20:2), p.47.

³⁰ Appendix C, Table IV.2, at 108.

³¹ Appendix C, Table IV.5, at 110.

C. Taxpayer Assistance Provided by the IRS

While taxpayers may receive assistance from many sources, the IRS provides assistance to taxpayers through responses to taxpayer-initiated contacts. The General Accounting Office has obtained information on three types of contacts between the IRS and taxpayers: (1) correspondence; (2) walk-ins; and (3) telephone. Table IV.6 in Appendix C indicates that there are over 100 million annual taxpayer contacts with the IRS under these three methods, with most contacts consisting of telephone calls. Compared with the individual income tax return data presented below, the IRS is on average contacted roughly once per year per individual income tax return. This data does not indicate whether the IRS telephone response is automated or human, but it is likely that many telephone calls involve taxpayers listening to pre-recorded IRS messages, including checking on the status of income tax refunds. The data in Table IV.6 of Appendix C does not cover contacts with the IRS Internet website, a relatively recent outlet. Some Internet contacts are likely to substitute for other contacts, while other Internet contacts will likely stimulate the more traditional contacts listed in Table IV.6.

Table IV.7 in Appendix C shows two forms of specialized assistance provided or sponsored by the IRS, the Tax Counseling for the Elderly and Volunteer Income Tax Assistance programs. Together these programs result in about three million annual person-to-person contacts.

D. Error Rates and Tax Controversies

Errors and tax controversies can be caused by many factors. Complexity is one of these factors. The Joint Committee staff asked the General Accounting Office to examine data relating to taxpayer errors and tax controversies. The aggregate statistics presented below provide a starting point for examining the relationship between complexity and mistakes and disputes.³²

Error rates

The errors committed by individuals on their income tax returns, tabulated by the IRS for 1999, are summarized in Table V.3 in Appendix C. This table generally indicates that individual taxpayers had difficulties with the earned income credit and the child credit, the former being more of a problem for 1040-A and 1040-EZ filers and the latter causing difficulties for 1040 filers. The child credit is relatively new and the earned income credit has been significantly changed in recent years, so it is unclear whether the difficulties experienced by taxpayers in the late 1990s will subside over time. For individual taxpayers filing Form 1040, calculations of capital gain income and taxable Social Security benefits are prone to error, and both areas were changed by tax legislation enacted in the 1990s. The fact that many of the items on the common error list are associated with recent law changes gives some credence to the possibility of a relationship between legislative change and complexity.

As an example of what private practitioners view as areas prone to taxpayer error, the list “How to Avoid 25 Common Errors,” prepared as guidance for individual income taxpayers in the Ernst & Young tax guide largely corroborates the error list compiled by the IRS.³³ The Ernst & Young list is not an error count and is not intended to be statistically valid, but it does represent the accumulated experience of a group of professionals who are paid to provide advice and prepare returns. Most of the items on the Ernst & Young list involve record-keeping and numerical inconsistencies.

Tax controversies

The audit, appeals, and litigation information provided to the General Accounting Office by the IRS suggests that earned income credit and IRA issues are often sources of controversy between the IRS and taxpayers. With respect to business taxpayers, the definition of gross income and what constitutes a trade or business are among the items that cause continuing controversy, as well as self-employment issues. Survey data on some other areas of potential controversy, such as trust returns, is based on a limited sample or is not specific enough to pinpoint issues.

Although it is currently unavailable, a measure of the outcomes of audit, appeal, and litigation would also be useful. If the incidence of tax controversies is connected to complexity, and the outcomes of complexity-associated disputes could be evaluated, then a truer measure of

³² This examination could be extended to include errors committed by IRS in efforts, including providing advice to taxpayers, to ensure compliance.

³³ Ernst & Young, *The Ernst & Young Tax Guide 2001*, at xxi.

the cost of complexity, for both the IRS and taxpayers, could be obtained.³⁴ Such information, should it become available, would permit a distinction between “acceptable” complexity, that is, unavoidable complexity that is a result of the application of necessarily complex business or other rules, and “unacceptable” complexity, which might be, for example, the product of inconsistent sections of the Code, or even inconsistencies within the same section of the Code. Complexity also might be less objectionable if it is transitional, such as the complexity caused by a statutory change to a well-established section of the Code, as opposed to a more permanent type of complexity associated with a more historically stable section of the Code.

³⁴ A tax controversy may eventually lead to clarification, or it may add to complexity by triggering disputes in other areas. Some controversies are relatively short in duration and result in an illumination of the law that lasts for decades. Other controversies inefficiently drain IRS and taxpayer resources. Efficiency judgments on controversies are rendered best *ex post*, and must be balanced by other concerns, such as taxpayer equity.

II. SOURCES OF COMPLEXITY IN THE PRESENT-LAW FEDERAL TAX SYSTEM

A. Overview

In the course of the study, the Joint Committee staff identified various sources of complexity in the present-law Federal tax system. No single source of complexity is primarily responsible for the state of the present-law system. Rather, the Joint Committee staff found that, for any complex provision, a number of different sources of complexity might be identified.

Among these sources of complexity were (1) a lack of transparency in the law, (2) the use of the Federal tax system to advance social and economic policies, (3) increased complexity in the economy, (4) the interaction of Federal tax laws with State laws, (5) the interaction of Federal tax law with other Federal laws and standards, and (6) the interaction of Federal tax laws with the laws of foreign countries and tax treaties. As discussed below, the lack of transparency in the law results from a variety of factors, including (1) statutory language that is, in some cases, overly technical and, in other cases, overly vague, (2) too much guidance with respect to certain issues and too little guidance with respect to others, (3) the use of temporary provisions, (4) frequent changes in the law, (5) grants of regulatory authority, (6) judicial interpretation of statutory and regulatory language, and (7) the Congressional budget process.

B. Lack of Transparency in the Law

In general

The language of the law itself is a source of complexity in tax law. Speaking about the tax Code of 1939, Learned Hand wrote:

In my own case the words of such an act as the Income Tax, for example, merely dance before my eyes in a meaningless procession: cross-reference to cross-reference, exception upon exception -- couched in abstract terms that offer no handle to seize hold of -- leave in my mind only a confused sense of some vitally important, but successfully concealed, purport, which it is my duty to extract, but which is within my power, if at all, only after the most inordinate expenditure of time. I know that these monsters are the result of fabulous industry and ingenuity, plugging up this hole and casting out that net, against all possible evasion; yet at times I cannot help recalling a saying of William James about certain passages of Hegel: that they were no doubt written with a passion of rationality; but that one cannot help wondering whether to the reader they have any significance save that the words are strung together with syntactical correctness.³⁵

Today, the tax Code is even more complex and difficult to understand. Partly, that is because the subject matter is complicated. However, a complicated subject does not explain overly complicated or detailed descriptions of the law, the provision of more guidance than necessary, the failure to give guidance when needed, frequent changes to the law, or the use of temporary provisions, all of which lead to complexity.³⁶

Statutory (and regulatory) language

In general, the language and approach of the Code and the regulations is technical, abstract, detail-oriented, replete with cross-references and often aimed at an audience of experts and not the individual taxpayer.

Code sections typically begin with a statement of the general rule. However, the general rule is an ineffective indicator of the law in many cases because in subsections after the general rule, exceptions and special rules typically follow. For example, the general rule of section 163(a) provides that "There shall be allowed as a deduction all interest paid or accrued within the taxable year on indebtedness." Clearly, under the general rule, an individual taxpayer's car loan interest is deductible. The rule disallowing such "personal interest" does not appear until

³⁵ Hand, *Thomas Walter Swan*, 57 *Yale Law Journal* 167, 169 (1947).

³⁶ The numerous sources of tax law alone are a source of complexity -- in order to research or validate a point of law, more than one source of tax materials should be consulted. See Paul, *The Sources of Tax Complexity: How Much Simplicity Can Fundamental Tax Reform Achieve?*, 76 *N.C.L. Rev.* 151, 154 (Nov. 1997) ("Intuitively, tax complexity refers in part to the regime's 'complication' -- the number and detail of the legal authorities that define the regime.").

subsection 163(h), after subsections that provide rules for installment purchases, redeemable ground rents, limitation on investment interest, original issue discount, denial of deduction for interest on certain obligations not in registered form, and a reduction of deduction where the section 25 credit is taken. “Personal interest” then is defined by six headings and seven cross-references. Assuming the taxpayer, who also is a homeowner, persevered to learn that personal interest was not deductible, the taxpayer might not have noticed the exception to the disallowance of personal interest for “qualified residence interest,” provided in some detail by section 163(h)(3), i.e., the mortgage interest deduction. Complication of this kind occurs throughout the Code and the regulations.

Although complexity in explication often is unavoidable, if the language is vague, dependent on defined terms, or circular, it is hard even for tax professionals to understand. For example, section 72 covers annuities and the treatment of proceeds from endowment and life insurance contracts. Section 72 utilizes 23 subsections and thousands of words. The final subsection, 72(w), provides simply: “For limitation on adjustments to basis of annuity contracts sold, see section 1021.” This is a good example of the use of a cross-reference that complicates the Code. Section 1021 is straightforward: “In case of the sale of an annuity contract, the adjusted basis shall in no case be less than zero.” Section 72(w) could have provided exactly what is contained in section 1021, eliminating the need for the reader to look to another section. As discussed in Section VIII.D. of Part Three of this study, the complexity of section 72 results in part from frequent amendment.³⁷ Thus, in this and other cases, the legislative process contributes to complexity in statutory language because statutory sections often are revisited and there may not be time to reorganize the affected provisions in a logical format.

Solutions to statutory complexity could include use of preambles describing the provisions and use of explanatory headings that alert the reader immediately whether a provision is relevant.³⁸ Similar techniques could be used to simplify the regulations, for example, making more frequent use of tables of contents, clearly identifying safe harbors and exclusions, incorporating preambles from Treasury Decisions, avoiding undefined terms of art, and more experimentation with other formats, such as question and answer formats.³⁹ As discussed in more detail at section IV of this Part below, other countries have found the language of their tax laws to be a significant source of complexity and have sought literally to rewrite the law in more user-friendly language, making use of general statements of purpose, explanatory materials and a more logical organization.

³⁷ The Joint Committee staff recommends redrafting the section to eliminate convoluted language and to improve readability.

³⁸ See, Rook, *Laying Down the Law: Canons for Drafting Complex Tax Legislation*, Tax Notes (Jan. 31, 1994).

³⁹ McMahon, *Reflections on the Regulations Process: Do the Regulations have to be Complex or is Hyperlexis the Manna of the Tax Bar?*, 51 Tax Notes 1441 (June 17, 1991).

Too much guidance; too little guidance

In tandem with the complexity caused by the language of the law is the complexity caused by the amount and variety of guidance. Many commentators have cited too much law and too detailed regulations as a major cause of complexity in the tax law.⁴⁰ Regulations for a single Code section often run to tens and sometimes hundreds of pages and serve as models of complexity.⁴¹ Even if such regulations succeed in resolving some issues they often are too cumbersome for practitioners or taxpayers with relatively simple issues.

The regulations to section 469 on passive activity losses serve as an example of too much guidance, brought on in part by demands from practitioners. Section 469 was enacted in 1986 to combat tax shelters. The statute was fairly comprehensive, addressed the most likely circumstances, and was supported by extensive legislative history detailing the purposes of the legislation and the issues of concern. Yet demands for guidance as to the meaning of “activity” and “material participation” led to a regulations project that spawned 250 pages of regulations concerning “operating rules” for section 469 and 180 pages of regulations defining “activity” (including a twenty-two-step test) and clarifying other rules. Additional regulations also were issued. The result was more than 500 pages of regulations issued over a six-year period. To improve clarity, the regulations defining “activity” (which were temporary) were allowed to expire and replaced with a simpler set of rules permitting taxpayers to use any “reasonable” definition of activity, consistently applied.

Alternatively, too little guidance also is a source of complexity. According to Treasury’s November 2000 semi-annual regulatory agenda, 349 regulations projects were outstanding as of November 30, 2000. Lack of guidance or delays in issuing guidance promotes uncertainty for taxpayers and tax administrators. Taxpayers have difficulty planning transactions if definitive rules have not been prescribed. Lack of guidance also may lead to inconsistent enforcement and increased litigation. Incomplete guidance, e.g., guidance that leaves major issues unresolved, also contributes to complexity.

⁴⁰ Manning, *Hyperlexis: Our National Disease*, 71 Nw. U. L. Rev. 767 (1977) (coining the phrase “hyperlexis” to describe the “pathological condition caused by an overactive law-making gland”); Schwidezky, *Hyperlexis and the Loophole*, 49 Okla. L. Rev. 403 (1996); Lipton, *We Have Met the Enemy and He is Us: More Thoughts on Hyperlexis*, 47 Tax Law. 1 (1993); McMahon, *Reflections on the Regulations Process: Do the Regulations Have to Be Complex or is Hyperlexis the Manna of the Tax Bar?*, 51 Tax Notes 1441 (June 17, 1991); Henderson, *Controlling Hyperlexis -- The Most Important ‘Law and . . .’*, 43 Tax Law. 177 (1989). See also Paul, *The Sources of Tax Complexity: How Much Simplicity Can Fundamental Tax Reform Achieve?*, 76 N.C.L. Rev. 151, 154 (Nov. 1997) (referring to a “legal cultural taste for complication”).

⁴¹ See, e.g., Treasury Regulations under Code sections 263A (uniform capitalization rules), 338 (stock purchases treated as asset acquisitions), 704(b) (partner allocations), 1271-86 (original issue discount).

As a compromise between too much and too little guidance, some have suggested the use of open-ended standards like “reasonableness” instead of precise, but voluminous, standards. A reasonableness standard does not provide concrete guidance and may frustrate those who require certainty because an answer to a legal question often comes down to an exercise of judgment: Is the questioned practice reasonable or not? If the law relies too much on vague standards, arguably the law is more complex because it lacks certainty. Vagueness also may lead to inconsistent enforcement and, in some cases, may place too much of a burden on taxpayers to make judgments. However, demands for guidance from practitioners due to reluctance to make judgments based on reasonable practices should not be a reason for issuing guidance where reasoned judgment may be preferable. If the alternative to a general legal standard is lengthy detailed guidance, complexity also is a result. More detail may successfully provide guidance in some situations, but the mere existence of the details hinders transparency. Perhaps more importantly, detail often creates additional ambiguity. Even the most prescient and careful drafting cannot foresee all relevant circumstances. “Elaboration in drafting does not result in reduced ambiguity. Each elaboration introduced to meet one problem of interpretation imports with it new problems of interpretation. Replacing one bundle of legal words with another bundle of legal words does not extinguish debate, it only shifts the terms in which the debate is conducted.”⁴²

Complicating matters further, commentators note the frequency with which the Code and regulations resort to standards such as “reasonable” and to facts and circumstances tests while simultaneously offering a detailed bright line rule. The interaction of both sorts of tests does not advance simplicity.⁴³ For example, “no substantial part” of a section 501(c)(3) organization’s activities may be lobbying. The “no substantial part” test requires a judgment of how much is too much, which, though not precise, might not be unreasonably complicated. In addition, however, section 501(h) provides an alternative to the no substantial part test for organizations that make a special election. The 501(h) election subjects organizations to a precise catalog of spending limits on lobbying activity, which are set out in regulations. The existence of multiple ways to satisfy a given rule leads taxpayers to apply all options to decide which one they prefer, sometimes with little difference in outcome.

Another sort of complexity results from guidance provided by the IRS in the private letter ruling process. The IRS issues thousands of private letter rulings each year to taxpayers. Many are a response to legitimate uncertainty. But some, so-called “comfort” rulings, seek rulings on areas of settled law, resulting in hundreds of rulings each year.⁴⁴ For example, taxpayers regularly submit rulings on whether the merger or transfer of assets of a private foundation to another private foundation qualifies as a section 507(b)(2) transaction and if so whether the

⁴² Manning, *Hyperlexis and the Law of Conservation of Ambiguity: Thoughts on Section 385*, 36 Tax Law. 9 (1982).

⁴³ Kovach, *Bright Lines, Facts and Circumstances Tests, and Complexity in Federal Taxation*, 46 Syracuse L. Rev. 1287 (1996).

⁴⁴ Taxpayers may desire a “comfort” ruling because the consequence of an IRS audit or subsequent adverse determination may be severe.

section 507 termination tax applies. The statute and regulations on this point are clear, but nevertheless practitioners ask for, and the IRS gives, rulings. Not only are administrative resources tested and the quantity of issued guidance increased, but settled law may be undermined by creating the appearance of ambiguity in the law.

In short, guidance issued by the IRS and the Treasury is essential to effective administration of the Federal tax system. But some types of guidance also contribute to the complexity of the tax law.

Use of temporary provisions

By their nature, temporary provisions cause uncertainty for taxpayers. In 2001, 12 provisions are scheduled to expire; in 2002, three provisions; in 2003, 12 provisions; in 2004, three provisions; in 2005, eight provisions; in 2007, eight provisions; and in 2009, 10 provisions. Most expiring provisions have been extended several times.

In some cases, temporary provisions originally were enacted because the Congress articulated concerns about the underlying policy of the provision. However, in many instances, provisions were enacted on a temporary basis or were extended for a temporary period to satisfy revenue constraints.⁴⁵

The practice of extending temporary provisions for another “temporary” period creates significant uncertainty for taxpayers. It invites speculation as to whether every temporary provision will be extended. For example, the exclusion from income for employer-provided group legal assistance was enacted on a temporary basis in 1976, was extended seven times, and was allowed to expire after June 30, 1992. Similarly, the exclusion from income for employer-provided educational assistance has been extended ten times since its original enactment in the Tax Reform Act of 1978, was allowed to expire after 1994 and then retroactively was reinstated in 1996, and has at times applied to undergraduate education only, and at other times to graduate education and undergraduate education.

Frequent changes in the law

Since the 1954 Code, over 500 public laws have made changes to the tax law.⁴⁶ The rate of change is steady: nine public laws in the 106th Congress, 12 public laws in the 105th Congress, 14 public laws in the 104th Congress, 16 public laws in the 103rd Congress, 19 public laws in the 102nd Congress, and so on.⁴⁷ Changes are both major and minor, and each public law typically involves changes to several Code sections covering a number of different areas of the Code.⁴⁸

⁴⁵ See the discussion, below, of the effect of the budget process on complexity.

⁴⁶ See Appendix D.

⁴⁷ *Id.*

⁴⁸ See Pearlman, *The Tax Legislative Process: 1972-1992*, 57 Tax Notes 939 (1992) (“It is not surprising . . . that taxpayers, as well as tax professionals both within and outside government, have been overwhelmed by the thousands of changes in the law. It also should not

Major reform efforts, such as the Tax Reform Act of 1986, are preceded by smaller but significant changes to many provisions of law, such as the Economic Recovery Tax Act of 1981, and followed by more changes, such as the Technical and Miscellaneous Revenue Act of 1988. Unsettling change occurs when provisions are repealed shortly after their enactment. For example, the Tax Reform Act of 1986 enacted new section 89 to the Code, which replaced a facts and circumstances test with detailed bright line non-discrimination rules for certain employee benefit plans. Employers and others identified a variety of concerns associated with section 89, including excessive administrative burdens. In 1989 Congress repealed section 89 retroactively so that it never took effect. Changing the law by enacting section 89 added complexity to the substantive law; the subsequent repeal, even if sensible in this case, contributed to the climate of uncertainty and unpredictability of the law that is caused by other frequent changes.

The rule of law depends on rules that are clear and definite. Frequent changes to the law create an impression of uncertainty. Taxpayers, and to a certain extent administrators, have less incentive to learn the rules or to rely on them. If repeated changes to law are for the purpose of improving fairness or accuracy, a subtle disincentive to learn or comply with each set of rules arises if future rules are anticipated to be better.

Grants of regulatory authority

One source of complexity is Congressional delegation of regulatory authority to Treasury. For example, section 385 of the Code covers the “treatment of certain interests in corporations as stock or indebtedness.” A person attempting to classify an interest in a corporation as stock or debt would consult section 385, which provides in section 385(a) only that “The Secretary is authorized to prescribe such regulations as may be necessary or appropriate to determine whether an interest in a corporation is to be treated for purposes of this title as stock or indebtedness (or as in part stock and in part indebtedness).” Section 385(b) makes the delegation somewhat more specific, directing the Secretary to set forth factors to be considered in determining whether a creditor-debtor relationship or a corporation-shareholder relationship exists, and listing five factors that the Secretary “may” want to include.⁴⁹ Such broad grants of regulatory authority in the statute creates complexity by providing uncertainty to taxpayers if regulations have not been issued.

Such delegation of authority to the Treasury is consistent and widespread. The Congressional Research Service prepared a list of over 240 examples of delegation of regulatory authority by the Congress to Treasury from 1992 through 2000, an average of more than 26 delegations per year.⁵⁰ The phraseology of delegation differs. Congress often provides that

be surprising that an 18-year period of annual tax legislation has resulted in considerable instability in the law.”).

⁴⁹ Section 385 was enacted in 1969. Treasury issued Proposed Regulations in 1980 and final regulations in 1981. However, in response to criticism of the regulations, they were withdrawn in 1983 and have not been replaced by new regulations.

⁵⁰ See Appendix D.

Treasury shall issue regulations “as may be necessary to carry out the purposes” of the section.⁵¹ Another common form is to set out a rule that applies “except as otherwise provided by regulations.”⁵² In either case, the effect is explicitly to leave the details of the law unresolved. The practice is so common that it seems unremarkable, yet as a practical matter it leads to a situation in which the statute, the primary source of law, increasingly states only a general rule. Taxpayers cannot rely on the statute because the statute does not state a rule.

As a general matter, simplicity would be improved if more statutory sections were self-executing, that is, do not require regulations to be effective or understood. Self-executing provisions do not preclude Treasury from promulgating interpretive regulations to fill in gaps. And, instead of regulating in a vacuum, with self-executing provisions, Treasury has the flexibility to identify the issues that require attention and formulate an appropriate measured response as the meaning of the provision is worked out in practice. Treasury can still be relied on to formulate the necessary details of a provision, but to the extent that the statute is not dependent on Treasury for its effect, taxpayers know in general what the law is, even if aspects of the law remain uncertain.

Judicial interpretation

Courts regularly interpret the law in the process of deciding how the law applies to a set of facts. Not only does case law create an additional source of law (that may differ among jurisdictions), which increases complexity, but the manner of a court’s systematic interpretation of the law can reduce simplicity. For example, to the extent courts refrain from filling in gaps in the tax law and instead take a literalistic approach, i.e., interpret the law based solely on the language of the statute or regulations, courts promote additional detail in legislation by encouraging legislators and the authors of regulations to provide for every contingency in drafting.

In other instances, courts interpret statutory language in a manner that will reach an equitable result for taxpayers, which can lead to inconsistent results among courts. For example, different courts have reached different results with respect to the proper treatment of attorneys’ fees in cases such as employment discrimination.⁵³ Because such fees normally would be treated as a miscellaneous itemized deduction that are (1) not allowed for alternative minimum tax purposes and (2) subject to the two-percent floor on miscellaneous itemized deductions for regular tax purposes, some courts have held that the portion of a damage award payable as attorneys’ fees is not required to be included in income. Other courts require the full amount of a

⁵¹ See, e.g., sec. 402(d)(2)(E) (regarding the taxation of lump sum distributions); sec. 475(e) (regarding mark to market accounting method for dealers in securities); sec. 1202(k) (regarding the exclusion for gain from certain small business stock).

⁵² See, e.g., sec. 355(e)(3)(A); sec. 514(c)(9)(G); sec. 684(a); sec. 960(a)(1).

⁵³ See the Joint Committee staff recommendation with respect to the treatment of such attorneys’ fees in Section II.F. of Part Three.

damage award to be included in income. Such inconsistent judicial interpretations contribute to complexity and may signal that a change in the law should be considered.

The budget process

Changes to the budget process since the early 1970s, although having beneficial fiscal effects, have led to increased complexity in the tax legislative process, and consequently, to the tax law. The Congressional Budget Impoundment Control Act of 1974, the Gramm-Rudman-Hollings enforcement mechanisms of the Balanced Budget and Emergency Deficit Control Act of 1985, and the expenditure caps and pay-as-you-go enforcement component (revenue neutrality) of the Budget Enforcement Act of 1990 have all led to complexity.

“Budget reconciliation” under the 1974 Act has changed the tax legislative process by requiring that policy measures conform to a Congressional reconciliation resolution that specifies tax and/or spending levels for the budget. Reconciliation also has sped up the process. Reconciliation yields instructions to the tax-writing committees to increase or decrease revenue, and policy must conform to such instructions. In contrast with the pre-reconciliation era, different substantive tax bills often proceed simultaneously in the House and Senate with less time for hearings and amendments. Commentators suggest that substantive tax reform is more difficult because the rationale for tax legislation is to meet the reconciliation instructions and there is less priority on or time for considerations of whether new revenue measures are too complex or sensible.⁵⁴ The “revenue-driven” approach to tax legislation has been credited with constant churning of the Code, lengthy technical corrections bills, increased regulations projects backlogs, and larger administrative and compliance costs.⁵⁵

The Gramm-Rudman-Hollings enforcement mechanisms were enacted during a time of large budget deficits. The mechanisms were intended to reduce deficits by a specified amount each year, which meant that changes to tax law could not be made without considering their budgetary impact. As a result, a tax proposal that would lose revenue would be accompanied by a proposal that would recover the lost revenue.

This principle of revenue neutrality undergirded the Revenue Act of 1986, and was formally adopted in the pay-as-you-go provisions of the Budget Enforcement Act of 1990. Although revenue neutrality has some beneficial effects (fiscal discipline), commentators note

⁵⁴ Handler, *Budget Reconciliation and the Tax Law: Legislative History or Legislative Hysteria?*, 37 Tax Notes 1259, 1266 (1987) (“substantive tax revision solely for revenue raising purposes is not a sensible reform process . . . [it] cannot be effected in a helter-skelter fashion under circumstances where the only rationale for developing any reform is the revenue-raising function of the budget reconciliation process”); Nolan, Federal Bar Association, *The Condition of the Tax Legislative Process*, 39 Tax Notes 1581, 1583 (1988) (“we have departed from an orderly and predictable process for identifying the legislative issues in advance and dealing with them in a well organized way”).

⁵⁵ McLure, *The Budget Process and Tax Simplification/Complication*, 45 N.Y.U. Tax L. Rev. 25, 80 (1989).

that it has made it more difficult to enact economically sound revenue losing proposals, proposals that are intended to correct defects in the law, and has made it harder to change proposals that are part of a revenue balance in response to public comment or policy insight.⁵⁶

Types of complexities resulting from the budget process include the enactment of temporary provisions, delayed effective dates, phasing in of provisions, restrictions on the availability of certain provisions to produce a desired revenue effect, and the design of entire provisions in order to produce a desired revenue target. For example, the income limits at which certain tax benefits (e.g. a credit) are phased out may be chosen based on revenue, rather than on a policy decision as to what the appropriate level should be.

⁵⁶ *Id.* at 81; Pearlman, *The Tax Legislative Process: 1972-1992*, 57 Tax Notes 939, 940 (1992).

C. Use of the Federal Tax System to Advance Social and Economic Policies

Growth of tax expenditures

Government spending through tax expenditures

The Code has long been a vehicle for the pursuit of social and economic goals that are not directly related to the policy of simply measuring the income tax base. The Federal tax laws contain numerous provisions that are intended to encourage or discourage specific behaviors or activities. The fiscal costs attributable to these provisions are commonly referred to as “tax expenditures”. Tax expenditures may provide alternatives to direct government outlay programs because they are perceived as avoiding the need to establish new agencies or expand existing agencies. In addition, tax expenditures may be favored over direct outlays because they can create the appearance of tax cuts rather than additional government spending and bureaucracy. However, tax expenditures also have been criticized for their adverse effects on the budget process.⁵⁷ In addition, tax expenditures have contributed to the overall complexity of the Federal tax laws.⁵⁸

Certain income tax provisions are referred to as tax expenditures because they may be considered to be economically analogous to direct outlay programs, and the two can generally be considered alternative means of accomplishing similar budget policy objectives.⁵⁹ Tax expenditures are most similar to direct spending programs that have no spending limits and that are available as entitlements to those who meet the statutory criteria established for the programs.⁶⁰ If a tax expenditure provision were eliminated, Congress might choose to continue financial assistance through other means rather than terminate all Federal assistance for the beneficiaries of the tax expenditure. If a direct outlay program were to be enacted as a substitute for a tax expenditure, the higher revenues received as a result of eliminating the tax expenditure would not necessarily represent a net budget gain because of the corresponding higher direct

⁵⁷ General Accounting Office, *Tax Policy: Tax Expenditures Deserve More Scrutiny* (GAO/GGD/AIMD-94-122, June 3, 1994).

⁵⁸ See Slemrod & Bakija, *Taxing Ourselves: A Citizen's Guide to the Great Debate Over Tax Reform* 139 (1996) (“[O]ur tax system is now an awkward mixture of a revenue-raising system plus scores of incentive programs, and is much more complicated than it would be if its only function were to raise revenue in the most equitable and cost-efficient way possible.”) (hereinafter “Slemrod & Bakija”).

⁵⁹ For a detailed explanation of tax expenditures, see Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2001-2005* (JCS-1-01), April 6, 2001.

⁶⁰ There are a few tax expenditures that have statutorily imposed limits. One example is the tax credit for low-income rental housing. This credit is available only to those who have received credit allocations from State housing authorities. There are statutory limits on the total amounts of credit allocations that the States can make each year.

outlays. In short, tax expenditures can be viewed as government spending programs that are embedded in the tax laws.⁶¹

Tax expenditure estimates

The Congressional Budget and Impoundment Control Act of 1974 (“the 1974 Budget Act”) requires a list of tax expenditures to be included in the annual Federal budget. Congress enacted this requirement with the intent of controlling spending by making tax expenditures more transparent.⁶² Accordingly, the Treasury and Joint Committee staffs prepare annual estimates of tax expenditures for use in budget analysis. The estimates are a measure of the economic benefits (in terms of reduced tax liabilities) that are provided through the tax laws to various groups of taxpayers and sectors of the economy.⁶³ They also may be useful in determining the relative merits of achieving specified public goals through tax benefits or direct outlays.⁶⁴ The Joint Committee staff currently categorizes both individual and business income tax expenditures into the following functional categories: national defense; international affairs; general science, space, and technology; energy; natural resources and environment; agriculture; commerce and housing; transportation; community and regional development; education, training, employment, and social services; health; Medicare; income security; social security and railroad retirement; veterans’ benefits and services; general purpose fiscal assistance; and interest.⁶⁵

⁶¹ See Thuronyi, *Tax Expenditures: A Reassessment*, 1988 Duke L.J. 1155 (1988) (“The concept of ‘tax expenditures’ holds that certain provisions of the tax laws are not really tax provisions, but are actually government spending programs disguised in tax language.”) (hereinafter “Thuronyi”). See also Surrey & McDaniel, *Tax Expenditures* 1 (Harvard University Press 1985).

⁶² Pub. Law No. 93-344. See Surrey, *Pathways to Reform* 179-180 (1973) (arguing that many tax expenditures would be repealed once they were recognized as disguised government outlay programs) (hereinafter “Surrey”).

⁶³ A tax expenditure estimate is not the same as a revenue estimate for the repeal of the tax expenditure provision for two reasons. First, tax expenditure estimates do not incorporate any changes in taxpayer behavior, whereas revenue estimates incorporate the effects of the behavioral changes that are anticipated to occur in response to the repeal of a tax provision. Second, tax expenditure estimates are concerned with changes in the tax liabilities of taxpayers. Because the tax expenditure focus is on tax liabilities as opposed to Federal government tax receipts, there is no concern for the timing of tax payments. Revenue estimates are concerned with changes in Federal tax receipts, which are affected by the timing of tax payments.

⁶⁴ However, the Joint Committee staff emphasizes in its estimates that no judgment is made, nor any implication intended, about the desirability of any special tax provision as a matter of public policy.

⁶⁵ See Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2001-2005* (JCS-1-01), April 6, 2001.

Tax expenditures as a source of complexity

The subjectivity that is inherent in the definition of a tax expenditure has often drawn criticism.⁶⁶ Moreover, the relative merits of tax expenditures and direct outlays have long been the subject of academic debate.⁶⁷ In any case, the prevalence of tax expenditures is a source of complexity in terms of both scope and number. Following enactment of the 1974 Budget Act, the total number of individual and corporate tax expenditures more than tripled from 43 in 1975 to 133 in 1986.⁶⁸ Even after the Tax Reform Act of 1986, the total number of individual and corporate tax expenditures was 128 in 1987.⁶⁹ This number has since grown to 141 under present law.⁷⁰

Limitations on availability of tax expenditures

Limitations on tax expenditures complicate the Code in several ways.⁷¹ First, each tax expenditure item generally has its own set of requirements and restrictions that involve

⁶⁶ Thuronyi, at 1155; Bittker, *The Tax Expenditure Budget -- A Reply to Professors Surrey and Hellmuth*, 22 Nat'l Tax J. 538, 542 (1969) (Tax expenditures "necessarily reflect[] ad hoc value judgments, since a value-free 'correct tax structure' is impossible."); McIntyre, *A Solution to the Problem of Defining a Tax Expenditure*, 14 U.C. Davis L. Rev. (1980).

⁶⁷ Compare Surrey, at 131-133 (describing and then refuting arguments supporting tax expenditures on administrative efficiency grounds), Driessen, *A Qualification Concerning the Efficiency of Tax Expenditures*, 33 J. Pub. Econ. 125 (1987) (suggesting that tax expenditures are not more efficient than direct government outlays), and Steuerle, *Summers on Social Tax Expenditures*, 89 Tax Notes 1639 (Dec. 18, 2000) (discussing weaknesses of arguments by former Treasury Secretary Summers for social tax expenditures), with Zelinsky, *Efficiency and Income Taxes: The Rehabilitation of Tax Incentives*, 564 Tex. L. Rev. 973 (1986), Zelinsky, *James Madison and Public Choice at Gucci Gulch: A Procedural Defense of Tax Expenditures and Tax Institutions*, 102 Yale L.J. 1165 (1993), Feldstein, *A Contribution to the Theory of Tax Expenditures: The Case of Charitable Giving*, in *The Economics of Taxation* 99 (Aaron & Boskin eds., 1980) (concluding that tax expenditures are generally more efficient than direct government outlays), and Steuerle, *Summers on Social Tax Expenditures*, 89 Tax Notes 1481 (Dec. 11, 2000) (discussing strengths of arguments by former Treasury Secretary Summers for social tax expenditures).

⁶⁸ Joint Committee on Taxation, *Estimates of Federal Tax Expenditures* (JCS-5-76), March 15, 1976; Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 1987-1991* (JCS-7-86), March 1, 1986.

⁶⁹ Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 1988-1992* (JCS-3-87), Feb. 27, 1987.

⁷⁰ Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2001-2005* (JCS-1-01), April 6, 2001.

⁷¹ Bittker, *Tax Reform and Tax Simplification*, 29 U. Miami L. Rev. 1, 10 (1974). For a detailed discussion of limitations on individual income tax benefits and complexity in general,

additional calculations. In determining the amount of any tax benefit to which a taxpayer is entitled, the basic benefit must be calculated, and then additional computations may be required to apply limitations on the benefit. Separate forms and schedules often are required. Second, many of the techniques used to limit tax expenditures are not commonly used tax principles, or may run counter to general measurement of income concepts, and consequently may raise new interpretive problems. Third, tax expenditure limitations generally impose additional recordkeeping requirements in order to enable the taxpayer to demonstrate that the tax benefit was properly claimed.

Limitations on tax expenditures are often the result of several different, and sometimes conflicting, policy objectives. The terms of any tax expenditure item may reflect a blending of different policies, which typically adds to complexity. Tax expenditure provisions that do not clearly reflect a single policy objective may be more difficult for taxpayers to understand because the purpose of the technical rules may be unclear. In some cases, limitations on the availability of certain tax expenditures may lead to new tax expenditures with a similar purpose targeted at a slightly different group of taxpayers or activity. Such overlapping tax expenditures also result in complexity.

An example of the complexity of limitations on tax expenditures is the earned income credit, which is often cited as one of the most complex provisions of the Code. One objective of the credit is to provide an incentive to work; thus, the amount of the credit generally increases as the amount of the individual's earned income increases. On the other hand, because the credit is targeted to low-income individuals, the credit also begins to phase-out after earned income (or, if greater, modified adjusted gross income) exceeds certain levels. Further, due to concerns that individuals with high net worth but low earned income were receiving the credit, the credit is denied to otherwise eligible individuals that have excessive "disqualified income," meaning income from certain sources, including certain interest, dividends, rents, royalties, and capital gains. Although there are many other features to the earned income credit, these provisions alone create complexity.

Earned income is not otherwise calculated for income tax purposes. Thus, this amount must be determined solely for purposes of the earned income credit. In addition, earned income for purposes of the credit currently includes items that are not includible in gross income, creating the need for information not shown on the return. To determine the correct amount of the earned income credit, a taxpayer must calculate both earned income and modified adjusted gross income. Modified adjusted gross income is uniquely defined for purposes of the earned income credit, and requires calculations and adjustments not required for other purposes. Disqualified income is also a term uniquely defined for purposes of the earned income credit and requires additional calculations.

The present-law education tax incentives are another example of complexity resulting from limitations on tax expenditures. Present law contains at least nine separate tax provisions providing special tax treatment for educational expenses. Each of these provisions has their own

see Joint Committee on Taxation, Overview of Present Law and Issues Relating to Individual Income Taxes (JCX-18-99), April 14, 1999, at 55-84.

eligibility requirements and limitations. Although designed to assist individuals in paying for education, they also complicate the tax planning that is necessary to take advantage of the provisions.⁷²

The income-based phase-outs applicable to various tax expenditure items are frequently cited as a source of complexity. These phase-outs require additional calculations and also result in hidden marginal rates.⁷³

Another example is the present-law credit for the cost of rental housing occupied by tenants with incomes below specified levels (the low-income housing credit). The credit generally is allowed over a 10-year period. However, numerous restrictions apply to the credit. The availability of the credit is allocated on a State-by-State basis -- the aggregate credit authority provided annually to each State generally is \$1.50 per resident in 2001, increasing to \$1.75 per resident in 2002, with an inflation adjustment starting in 2003. However, a minimum annual cap of \$2 million is provided for small States in 2001 and 2002, adjusted for inflation starting in 2003. Furthermore, the credit is available at different percentages depending upon (among other things) whether the rent is Federally subsidized.

These are only some of the examples of the difficulties created by limitations on tax expenditures. Although such limitations serve various policy objectives, they also add complexity to the Code.

⁷² Education tax incentives are discussed in detail in Section II.G. of Part Three.

⁷³ The income-based phase-outs are discussed in detail in Section II.C. of Part Three.

D. Increased Complexity in the Economy

As with any tax structure that plays a central role in raising revenues, the Federal income tax system is complex because of the need to prevent revenue “leakage” by adopting rules that precisely measure the income tax base. Along with these revenue demands, the tendency toward complex income tax rules also is fueled by the importance that has been placed upon equitable treatment of taxpayers.⁷⁴ In fulfilling these mandates, the Federal income tax system reflects the increasingly dynamic and sophisticated national economy.⁷⁵ Moreover, income-producing activities are becoming less suited to traditional income realization principles, as the industrial economy in which the Federal income tax has developed gives way to an information and technology economy.

The history of the Federal income tax is characterized by a focus on manufacturing and wage income. Tax issues continue to emerge from these segments of the income tax base, but they typically involve interpretations of long-standing tax rules. On the other hand, more challenging tax issues have been surfacing with increasing frequency from the service sector of the economy. This segment of the income tax base tends to be highly complex and global, particularly with respect to information technology and financial services. The Federal income tax system generally has addressed this portion of the income tax base in a decidedly incremental fashion using the same foundation of income realization principles that better reflects the manufacturing economy. Economic activities such as information technology and financial services are highly mobile and intangible in nature, which presents serious problems for existing tax rules. In this context, the present-law rules that govern areas of taxation such as sourcing and tax accounting are often inapposite or, if applied literally, provide irrational answers.

With the Federal income tax system as the principal source of Federal revenues and equitable tax treatment as a policy priority, the compelling need to accurately gauge an income tax base that itself is complex is likely to continue the bias toward greater overall complexity in the Federal income tax rules, regardless of whether emerging tax issues in the service sector of the economy are addressed incrementally or comprehensively.⁷⁶ However, undue complexity can be avoided by policy decisions that balance the marginal precision of income tax rules with

⁷⁴ See Paul, *The Sources of Tax Complexity: How Much Simplicity Can Fundamental Tax Reform Achieve?*, 76 N.C. L. Rev. 151 (Nov. 1997) (concluding that a tax regime committed to raising significant revenues equitably is inevitably complex); Slemrod & Bakija, at 83 (“Fine-tuning tax liability and ensuring progressivity inevitably complicate the tax process, and abandoning these goals can allow significant simplification.”).

⁷⁵ See Pollack, *The Failure of U.S. Tax Policy: Revenue and Politics* 203 (1996) (“The factor most often cited as responsible for the increased complexity in the tax laws is the perceived increase in the complexity of the ‘world’ in general and of the ‘economy’ in particular.”).

⁷⁶ See Halperin, *Are Anti-Abuse Rules Appropriate?*, 48 Tax Lawyer 807, 811 (1985) (“The tax law will always be an uneasy compromise between efforts to achieve equity and limit efficiency losses at a reasonable level of complexity.”).

their marginal complexity.⁷⁷ The recommendations that are provided in this study pertain to specific instances in which this balance perhaps has not been achieved.

⁷⁷ See Slemrod & Bakija, at 137 (“Substantial simplification will require that we give up on the notion that the bill we pay to the government must be personalized in great detail, and settle instead on rough justice only.”).

E. Interaction of Federal Tax Laws with State Laws

The application of Federal tax rules often depends upon concepts and principles of State law. Interaction between Federal tax laws and State laws can bring about complexity because taxpayers often must interpret and apply State law in order to determine the correct application of Federal tax law. In many cases, taxpayers must apply laws of multiple States or resolve the application of conflicting laws between States. Even where there is no uncertainty concerning which State's laws apply, the weight accorded to State laws for Federal tax purposes often is unclear. However, the effect of State laws upon the operation of Federal tax rules may be unavoidable in certain situations. Therefore, determining the appropriate degree of interaction between Federal tax laws and State laws is central to simplifying the Federal tax rules and fostering equal tax treatment for taxpayers in different States.

1. State laws generally

A major source of complexity in the Federal tax rules has been the inability to develop a consistent set of basic principles for determining the role of State law in the Federal tax rules. The Federal tax treatment of interests or rights generally is determined by the Federal tax rules.⁷⁸ However, such interests or rights often are created or defined by State law, and fundamental questions underlying the application of the Federal tax rules often are resolved on the basis of concepts that are constructs of State law.

It has often been difficult to balance the competing objectives of treating taxpayers equitably (which tends to favor giving tax effect to State laws) and simplifying the Federal tax rules (which tends to favor curtailing the relevance of State law).⁷⁹ Moreover, the Federal courts have not always agreed on the appropriate balance. For instance, the Federal circuit courts currently disagree over the question of whether State law alone determines the deductibility of estate administration expenses under section 2053.⁸⁰ Similarly, the Supreme Court recently

⁷⁸ *United States v. Irvine*, 511 U.S. 224 (1994); *United States v. Mitchell*, 403 U.S. 190 (1971); *Commissioner v. Stern*, 357 U.S. 39 (1958); *Helvering v. Stuart*, 317 U.S. 154 (1942); *Morgan v. Commissioner*, 309 U.S. 78, 80-81 (1940); *Burnet v. Harmel*, 287 U.S. 103 (1932); Note, *The Role of State Law in Federal Tax Determinations*, 72 Harv. L. Rev. 1350, 1351 (1959) (“[T]he substantive rule is federal, and state law merely establishes some of the facts to which the court applies federal law in order to reach its conclusions.”).

⁷⁹ Marty-Nelson, *Taxing Offshore Asset Protection Trusts: Icing on the Cake?*, 15 Va. Tax Rev. 399, 441 (Winter 1996) (“[M]any times domestic taxpayers secure different tax results owing to a domicile in one state or another. This disparity among domestic taxpayers stems from the struggle for federal tax purposes of achieving a proper balance between tax uniformity and deference to state laws.” (citations omitted)).

⁸⁰ Compare *Estate of Millikin v. Commissioner*, 125 F.3d 339 (6th Cir. 1997), *Estate of Love v. Commissioner*, 923 F.2d 335 (4th Cir. 1991), *Marcus v. DeWitt*, 704 F.2d 1227 (11th Cir. 1983), *Hibernia Bank v. United States*, 581 F.2d 741 (9th Cir. 1978), *Estate of Smith v.*

resolved a split among the Federal circuit courts when it held that a disclaimer of inheritance property under State law could not prevent a Federal tax lien from attaching to the property.⁸¹

The problem is compounded in cases involving an interpretation of a State law that has not been conclusively resolved by the State itself. In *Commissioner v. Estate of Bosch*,⁸² the Supreme Court attempted to articulate an analytical rule for resolving Federal tax issues when the application of the Federal tax rules depends upon State law interests or rights that have been adjudicated in State court by the taxpayer. In *Bosch*, the Court held that Federal courts should follow the decisions of a State's highest court, but that decisions of lower State courts are entitled only to "proper regard".⁸³ Absent an interpretation of State law by the highest court in the State, the Court stated that Federal courts would be, "in effect, sitting as a state court."⁸⁴

The exact meaning and scope of the *Bosch* standard has been the subject of extensive academic commentary.⁸⁵ In addition, Federal courts have encountered difficulty with *Bosch* and, as a result, have been inconsistent in the level of deference given to decisions of lower State

Commissioner, 510 F.2d 479 (2d Cir. 1975), and *Pitner v. United States*, 388 F.2d 651 (5th Cir. 1967), with *Estate of Jenner v. Commissioner*, 577 F.2d 1100 (7th Cir. 1978).

⁸¹ *Drye v. United States*, 528 U.S. 49 (1999), *affg. Drye Family 1995 Trust v. United States*, 152 F.3d 892 (8th Cir. 1998). Compare *Leggett v. United States*, 120 F.3d 592 (5th Cir. 1997), and *Mapes v. United States*, 15 F.3d 138 (9th Cir. 1994).

⁸² 387 U.S. 456 (1967) (Douglas, J., Harlan, J., and Fortas, J., dissenting).

⁸³ *Id.* at 465.

⁸⁴ *Id.*

⁸⁵ Steinkamp, *Estate and Gift Taxation of Powers of Appointment Limited By Ascertainable Standards*, 79 Marq. L. Rev. 195, 238 (Fall 1995) ("Bosch failed to provide the certainty that the Court hoped to achieve."); Rehnquist, *Taking Comity Seriously: How to Neutralize the Abstention Doctrine*, 46 Stan. L. Rev. 1049, 1097 (May 1994) ("In sum, federal judges have in the past fifty years grown increasingly comfortable sitting 'in effect' as state courts..."); Caron, *The Federal Courts of Appeals' Use of State Court Decisions in Tax Cases: "Proper Regard" Means "No Regard"*, 46 Okla. L. Rev. 443, 445 (Fall 1993) ("The courts of appeals thus have undermined Bosch by giving 'no regard' to the lower state court's application of state law, despite the Bosch Court's intent to use the 'proper regard' test to balance the competing policies."); Durham, *California Dreamin': Protective Legislation: Does It Work? Does It Need Revision? Can It Be Effective?*, 26 Inst. on Est. Plan. 7-1, 7-28 (1992) ("Proper regard' has been used to justify multiple approaches: that state court rulings are to be disregarded and are not even admissible; that state court decisions are relevant evidence even if they are not adversary; that state court decisions should be followed if they correctly interpret state law; that a state court decision may be noted but then the federal court should decide the case as if the state court did not even exist.").

courts.⁸⁶ As a result, the *Bosch* decision has led to complexity and uncertainty with regard to particular Federal tax rules that rely heavily upon State law.⁸⁷ Without further elaboration by the Supreme Court clarifying *Bosch*,⁸⁸ it will continue to be difficult to achieve equitable and consistent treatment of taxpayers in different States by incorporating State law into the Federal tax rules. The perils (to taxpayers and the government alike) of determining the treatment of taxpayers in different States under the *Bosch* standard strengthen the relative advantages of rules that avoid complexity by curtailing the role of State law in the application of the Federal tax laws.

2. State property rights laws

State community property laws

State community property laws have had an impact upon the complexity of Federal tax rules for many years, particularly with regard to estate and gift taxes and tax return filing status.⁸⁹

⁸⁶ See *Lakeshore Nat'l Bank v. Coyle*, 296 F. Supp. 412, 417-418 (N.D. Ill. 1968), *rev'd*, 419 F.2d 958 (7th Cir. 1969) (stating that *Bosch* required the court to give "proper regard" to a State probate court decree -- "whatever that means"). Compare *Morgan v. United States*, 79-2 U.S.T.C. para. 13,308, at 88,763 (C.D. Cal. 1979) (stating that lower State court decision was "not relevant"), and *Van Nuys v. United States*, 75-2 U.S.T.C. para. 13,081, at 88,815 (C.D. Cal. 1975) (stating that lower State court decision was "irrelevant"), with *First Nat'l Bank v. United States*, 69-1 U.S.T.C. para. 12,589, at 84,892 (D.N.M. 1969), *aff'd*, 422 F.2d 1385 (10th Cir. 1970) ("*Bosch* does not require that the federal district court make an independent determination of the property interest. If the federal district court finds from the records of the state proceedings that state law was followed, then there is no reason why it has to re-litigate the state case.").

⁸⁷ An overemphasis on State law in the Federal tax rules can encourage potential arbitrage of State laws by taxpayers, as well as the enactment and interpretation of State law by State legislatures and courts in a manner that inappropriately focuses upon providing Federal tax savings for their own residents. See Gans, *Federal Transfer Taxation and the Role of State Law: Does the Marital Deduction Strike the Proper Balance?*, 48 Emory L.J. 871, 876-883 (Summer 1999) (citing the sec. 1014(b)(6) community property basis rules, the sec. 2056(a) marital deduction passing requirement, the sec. 2631 generation-skipping tax exemption rules, and the sec. 2704(b) special valuation rules as examples of overemphasis on State law that gives rise to such effects).

⁸⁸ In *White v. United States*, 650 F. Supp. 904 (W.D.N.Y. 1987), *rev'd*, 853 F.2d 107 (2d Cir. 1988, *cert. dismissed per curiam*, 493 U.S. 5 (1989)), the Court granted a writ of certiorari to address the continuing viability of the *Bosch* standard, but dismissed the writ as improvidently granted after hearing oral argument.

⁸⁹ The community property States are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Even beyond the estate and gift tax rules and the tax rules concerning filing status, there are many other examples of the interaction between

Estate and gift taxes

In 1942, Congress first made changes to the estate and gift tax rules in an attempt to equate the treatment of property in community property States and non-community property States by providing that, in both community property States and non-community property States, each spouse would be taxed on the portion of jointly-owned or community property that each spouse contributed to that property's acquisition cost.⁹⁰

However, this solution to the community property problem was viewed as complex and, in 1948, Congress created a different solution for equating the estate and gift tax treatment of taxpayers in community property States and in non-community property States. Specifically, Congress provided the decedent or donor spouse with a marital deduction for 50 percent of the property transferred to the other spouse, effectively allowing both spouses to be taxed on one-half of the property's value.⁹¹

State community property laws and the current Federal tax rules, including (1) sec. 32(c)(2) (earned income computed without regard to community property laws for purposes of earned income tax credit), (2) sec. 219(f)(2) (maximum deduction for qualified retirement contributions computed without regard to community property laws), (3) sec. 220(b)(4)(C) (limitation on deduction for contribution to Archer MSA computed without regard to community property laws), (4) sec. 303(b)(2)(B) (special rule for distributions in redemption of stock of 2 or more corporations to pay death taxes applied as if surviving spouse's community property interest in stock included in determining value of decedent's estate), (5) sec. 402(e)(4)(D)(iii) (certain rules relating to taxability of beneficiaries of exempt employees' trust applied without regard to community property laws), (6) sec. 403(b)(2)(D)(ii) (certain rules relating to taxability of beneficiaries of annuities purchased by sec. 501(c)(3) organizations or public schools applied without regard to community property laws), (7) sec. 408(g) (rules for IRAs applied without regard to community property laws), (9) sec. 414(p)(1)(B)(9)(ii) ("domestic relations order" defined to include any judgment, decree, or order made pursuant to community property law), (10) sec. 448d(4)(A) (community property laws disregarded in applying qualified personal service corporation exemption from limitations on cash method of accounting), (11) sec. 457(e)(7) (community property laws disregarded in computing includible compensation limitation on deferred compensation plans of State and local government and tax-exempt organizations), (12) sec. 530(f) (rules for education IRAs applied without regard to community property laws), (13) sec. 879 (rules for treatment of certain community income of nonresident foreign individuals), (14) sec. 911(b)(2)(C) (rules for treatment of community income of U.S. citizens or residents living abroad), (15) sec. 932(d) (rules for coordination of U.S. and Virgin Islands income taxes on community income reported on joint tax returns), and (16) sec. 1402(a)(5) (definition of net earnings from self-employment with respect to community income).

⁹⁰ Act of October 21, 1942, 56 Stat. 798.

⁹¹ Revenue Act of 1948, 62 Stat. 110.

In the Economic Recovery Act of 1981,⁹² Congress neutralized the general effect of State community property laws on estate and gift taxes by creating an unlimited deduction for transfers to spouses.⁹³ Nevertheless, a number of estate and gift tax rules continue to provide specific rules addressing the effect of State community property laws.⁹⁴

Tax return filing status

Prior to 1948, most married taxpayers derived no tax benefit from filing a joint return because there was only one income tax schedule and all individuals were liable for income tax as separate filing units.⁹⁵ Progressive tax rates created an incentive for married couples to split incomes. If only one spouse earned income, the couple could reduce their combined tax liability by splitting the income and assigning half to each spouse. Although the Supreme Court rejected contractual attempts to split income,⁹⁶ it ruled that income splitting was actually required for community income in States with community property laws.⁹⁷ Thus, married couples in community property States exclusively enjoyed the benefits of income splitting, regardless of whether they filed a joint return. By contrast, married couples in separate property States were precluded from receiving the benefits of income splitting, regardless of whether they filed a joint return. With the increase of both income tax rates and the number of individuals liable for income taxes in the years immediately before and during World War II, many States adopted or considered community property statutes to provide their citizens the tax benefits of income splitting.

The Revenue Act of 1948 extended the benefit of income splitting to all married couples by establishing a separate tax schedule for joint returns. The separate schedule was designed so that married couples would pay twice the tax of a single taxpayer with half the couple's taxable income. The new schedule succeeded in equalizing the treatment between married couples in

⁹² Pub. Law No. 97-34.

⁹³ See sec. 2056.

⁹⁴ These rules include (1) sec. 1014(b)(6) (rules relating to basis of community property acquired from decedent), (2) sec. 2032A(e)(10) (application of special valuation rules for qualified farm property to community property), (3) sec. 2056(b)(7)(C) (application of marital deduction to a decedent's non-participant interest in an annuity attributable to community property laws), and (4) sec. 6166(b)(2)(B)(i) (application of extension of time for payment of estate tax where estate consists of community property interest in closely held business).

⁹⁵ See *Pierce v. Commissioner*, 100 F.2d 397 (2d Cir. 1938) (the only advantage derived from filing a joint return is when the allowable deductions of one spouse exceed his or her income). Filing a joint tax return is optional. A spouse who wishes to avoid joint liability may file as a "married person filing separately." However, the decision to file separately will generally result in a higher combined tax liability.

⁹⁶ *Lucas v. Earl*, 281 U.S. 111 (1930).

⁹⁷ *Poe v. Seaborn*, 282 U.S. 101 (1930).

States with community property laws and those in States with separate property laws. However, it also introduced a “marriage bonus” for couples in States with separate property laws.⁹⁸ A special rate schedule was subsequently created for single taxpayers (leaving the old schedule solely for married individuals filing separate returns), which created a “marriage penalty” for some taxpayers while maintaining the “marriage bonus” for other taxpayers. The result of attempts to neutralize the effect of State community property laws on Federal tax return filing status has been increased complexity, as well as substantive distinctions in tax treatment based upon filing status.

Joint and several liability

State community property laws also have affected the rules concerning the mutual tax liability of married couples. In *Poe v. Seaborn*,⁹⁹ the Supreme Court held that each spouse in a community property State is liable for the tax on one-half of the other spouse’s earned income, even when they file separately. Congress subsequently addressed the issue of joint and several tax liability of spouses living in community property States. Congress was specifically concerned that the *Poe* rule could result in an estranged spouse being liable for Federal income tax on one-half of the income earned by the other spouse, even though the estranged spouse had not actually received or benefited from any of the income.¹⁰⁰ Congress changed this result by creating new section 66,¹⁰¹ which provided that a spouse would not be liable for Federal income tax on one-half of the income earned by the other spouse in a community property State if (1) the spouses live apart at all times during the calendar year, (2) they do not file a joint return, (3) one or both spouses have income which is community income, and (4) no portion of such earned income is directly or indirectly transferred between such spouses during the calendar year.¹⁰² Instead, each spouse would be liable for the tax on his or her respective earned income and on community income derived from the separate property (determined under applicable community property laws) of each spouse.

In 1984, Congress significantly broadened the application of the innocent spouse exception to joint and several liability for taxable income reported on joint tax returns.¹⁰³

⁹⁸ Because income splitting had been available in community property States prior to 1948, a marriage bonus had already existed in community property States.

⁹⁹ 282 U.S. 101 (1930).

¹⁰⁰ S. Rep. 96-1036, (1980) at 8.

¹⁰¹ Sec. 101 of the Miscellaneous Revenue Act of 1980, Pub. Law No. 96-605.

¹⁰² Sec. 66(a).

¹⁰³ Sec. 6013(d)(3) provides that spouses who file a joint tax return are each individually responsible for the accuracy of the return and for the full tax liability. This is true even though only one spouse may have earned the wages or income reported on the return. This is “joint and several” liability. If one spouse has concealed income and failed to report it on the joint return, it may be unfair to collect the resulting tax liability from the other spouse, if the other spouse did not know of or benefit from the income. Prior to the IRS Restructuring and Reform Act of 1998

Congress also provided similar (but not identical) innocent spouse relief to married couples who lived together and filed separate returns in community property States.¹⁰⁴ Specifically, Congress amended section 66 to provide that an innocent spouse may not be held liable for tax on community income derived from the separate property of the other spouse if the innocent spouse proves that he or she did not know of, and had no reason to know of, the omitted income and that it would be inequitable to hold the innocent spouse liable for such tax. Nevertheless, the *Poe* rule continues to treat married taxpayers who file separate returns differently on the basis of whether they live in a community property State. While married taxpayers in separate property States can automatically avoid joint and several liability by filing separate returns, married taxpayers in community property States can avoid joint and several liability by filing separate returns only if they satisfy the requirements of section 66.¹⁰⁵

State law homestead exemptions

Under present law, section 6321 provides for the imposition of a Federal tax lien upon all real and personal property belonging to a taxpayer who fails to pay a Federal tax assessment after notice and demand for payment has been made. In identifying which property or property rights may be subject to a Federal tax lien, State law generally governs whether a taxpayer has a recognized interest in property.¹⁰⁶ However, State laws that merely protect property from creditors (rather than actually defining interests in property) do not preclude the attachment of a Federal tax lien. For instance, most States have enacted homestead laws that generally permit a debtor to designate his or her principal residence and the associated land as a homestead, thus protecting the property from the general debts of the debtor. Homestead exemptions do not protect property from attachment or execution of a Federal tax lien, even if the tax liability

(“1998 Act”), sec. 6013(e) provided limited relief from liability for tax, interest and penalties for “innocent spouses”. In the 1998 Act, sec. 6013(e) was repealed and a new sec. 6015 was enacted which provided expanded innocent spouse relief. Sec. 6015(a) (flush language) provides that innocent spouse relief is determined without regard to community property laws.

¹⁰⁴ Sec. 66(c). The relief initially granted by the provision enacted in 1980 only applied if the spouses lived apart during the entire calendar year. Congress eliminated this requirement in 1984.

¹⁰⁵ The primary disadvantage for married taxpayers who file separately in community property States is the uncertain application of sec. 66(c) by virtue of its subjective requirement that joint and several liability would be inequitable. Moreover, simple overturning the *Poe* rule by statute would raise other issues. Nevertheless, sec. 66 does cause complexity for married taxpayers in community property States that is not faced by married taxpayers in separate property States.

¹⁰⁶ *Aquilino v. United States*, 363 U.S. 509 (1960); *United States v. Stonehill*, 83 F.3d 1156 (9th Cir. 1996), *cert. denied*, 519 U.S. 992 (1996); *Gardner v. United States*, 34 F.3d 985 (10th Cir. 1994); *Dominion Trust Co. of Tennessee v. United States*, 7 F.3d 233 (6th Cir. 1993); *Hoornstra v. United States*, 969 F.2d 530 (7th Cir. 1992).

belongs to only one spouse and the homestead exemption belongs to the other spouse.¹⁰⁷ However, depending upon whether the homestead exemption of a particular State also provides both spouses with a vested lifetime interest in the property, the spouse who does not owe the Federal tax liability may be entitled to share in the proceeds of an administrative or judicial sale of the property pursuant to the tax lien.¹⁰⁸

The delineation between State law homestead exemptions and State laws that actually define property rights is often unclear and contributes to the complexity of the Federal tax rules. In addition, the reach of a Federal tax lien is often further complicated by the intricate distinctions among various types of State law property interests such as joint tenancy, tenancy in common, tenancy by the entirety, curtesy and dower, and community property. Taxpayers should be able to expect that the operation of Federal tax rules will reasonably reflect their recognized property interests as defined by State law. However, the interaction between State property rights law and the Federal tax rules creates complexity for taxpayers, especially with regard to cases in which subtle distinctions among various State property rights are not particularly relevant to tax policy.

3. State regulatory laws

Taxpayers in regulated industries generally are subject to State regulatory accounting rules that differ from the Federal tax rules, primarily because of differences in purpose and function. In some cases, the divergence of Federal tax rules from State regulatory accounting rules creates additional complexity in reconciling regulatory income with taxable income. In other cases, taxpayers in regulated industries must apply special tax rules that incorporate State regulatory requirements. The interaction of Federal tax laws with State regulatory requirements is often the result of deliberate policy considerations. However, tax rules that draw distinctions among taxpayers based upon their regulated status constitute sources of complexity. Complexity based upon regulatory status may not be warranted for certain industries in which the regulatory environment that originally justified such complexity has evolved in fundamental ways.

Public utilities

Public utilities are subject to several special provisions that contribute to the complexity of the Federal tax rules, particularly because they assume a regulatory framework that is currently undergoing fundamental restructuring as a result of deregulation in the electricity industry.¹⁰⁹ In addition, Federal tax rules of general application often create complexity for

¹⁰⁷ *United States v. Rodgers*, 461 U.S. 677 (1983) (5-4 decision permitting Commissioner to seek sale of entire homestead property rather than merely delinquent taxpayer's interest in property).

¹⁰⁸ *Blakeman v. United States*, 997 F.2d 1054 (5th Cir. 1993); *Harris v. United States*, 764 F.2d 1126 (5th Cir. 1985); *Tillery v. Parks*, 630 F.2d 775 (10th Cir. 1980).

¹⁰⁹ At least 17 statutory tax provisions directly refer to public utilities or public utility commissions, including sec. 48(a)(3) (energy credit; reforestation credit), sec. 56(a)(1)(D) (adjustments in computing alternative minimum taxable income), sec. 115(1) (income of States,

public utilities because they may not adequately take into account unique characteristics of public utilities or certain issues raised by deregulation.

For instance, in order for certain public utility property to be eligible for the more favorable depreciation allowances available under present law (relative to the depreciation allowances used for ratemaking or financial statement purposes), the tax benefits of accelerated depreciation must be “normalized” in setting rates charged by utilities to customers and in reflecting operating results in regulated books of account.¹¹⁰ Normalization accounting is generally intended to prevent regulated public utilities from passing the tax benefits of

municipalities, etc.), sec. 118(c) (contributions to the capital of a corporation), sec. 136 (energy conservation subsidies provided by public utilities), sec. 142(e)(2) (exempt facility bond), sec. 168(f)(2) (normalization accounting for public utility property), sec. 172(d)(5) (net operating loss deduction), sec. 243(d)(4) (dividends received by corporations), sec. 244(a)(1) (dividends received on certain preferred stock), sec. 247 (dividends paid on certain preferred stock of public utilities), sec. 404(a)(1)(C) (deduction for contribution of an employer to an employees’ trust or annuity plan and compensation under a deferred-payment plan), sec. 468A (nuclear decommissioning costs), sec. 810(c)(2)(B) (operations loss deduction), sec. 1081(f)(1) (nonrecognition of gain or loss on exchanges or distributions in obedience to orders of S.E.C.), sec. 1083 (deductions relating to exchanges or distributions in obedience to orders of S.E.C.), sec. 1341(b)(2) (computation of tax where taxpayer restores substantial amount held under claim of right), and sec. 7701(a)(33) (definitions).

¹¹⁰ Specifically, sec. 168(f)(2) provides that neither of the general accelerated depreciation methods (i.e., the Accelerated Cost Recovery System or the Modified Accelerated Cost Recovery System) apply to certain property placed in service by regulated public utilities unless the utility uses a normalization method of accounting (as defined in sec. 168(i)(9)). Public utility property that is excluded from accelerated depreciation must be depreciated using the same method as, and a depreciation period no shorter than, the method and period used by the public utility to compute its depreciation tax expense as part of its cost of service for State regulatory ratemaking purposes. Sec. 168(i)(9)(C).

The tax benefits of accelerated depreciation are considered to be normalized only if three requirements are satisfied (sec. 168(i)(9)(A)). First, the tax expense of the public utility for ratemaking purposes must be computed using the same depreciation method that is used in determining depreciation for ratemaking purposes and by using a useful life that is no shorter than the useful life used in determining depreciation for ratemaking purposes (which generally results in depreciation being determined over a relatively long useful life and using the straight-line method). Second, the difference between the actual tax expense computed using tax depreciation and the tax expense determined for ratemaking purposes must be reflected in a deferred tax reserve. Third, in determining the rate of return of a public utility, the public utility commission may not exclude from the rate base an amount that exceeds the addition to the deferred tax reserve for the period used in determining the tax expense for ratemaking purposes. In addition, any ratemaking procedure or adjustment with respect to a utility’s tax expense, depreciation expense, or reserve for deferred taxes must also be consistently used with respect to the other two items and rate base (sec. 168(i)(9)(B)).

accelerated depreciation to customers through the ratemaking process. The normalization method of accounting generally spreads the tax benefits of accelerated depreciation over the regulatory life of the property and results in higher utility rates in the early years and lower utility rates in the later years than otherwise would have occurred without normalization. In addition to being inherently complex, normalization accounting raises certain issues associated with the ongoing restructuring of certain public utilities. If a public utility is deregulated with respect to only a portion of its services (*e.g.*, electricity generation and transmission services but not distribution services), then a portion of the utility's property will remain subject to the normalization requirements, while the remainder of the utility's will not. The determination of whether certain property is subject to normalization accounting under this scenario may be difficult.

More generally, the complexity that accompanies the tax treatment of public utilities is compounded by deregulation of the electricity industry. The Financial Freedom Act of 1999 (H.R. 2488) passed by Congress (but vetoed by the President) included a provision that would have amended the tax rules relating to the deductibility of nuclear power plant decommissioning costs. Observing that electricity deregulation has created the need for changes to present law, Congress viewed this provision as an appropriate interim measure until more fundamental changes could be made at the appropriate time.¹¹¹

Insurance companies

The interaction between Federal tax laws and State regulatory laws is also evident in the tax rules that apply to life insurance companies. Although tax accounting rules generally operate independently from financial or regulatory accounting rules, the tax rules for life insurance companies are noteworthy in being derived, in part, from regulatory accounting principles.¹¹² In determining the taxable income of a life insurance company, the computation of certain reserve items under section 807 refers to various State insurance regulatory rules relating to reserve computation methods, discount rates, and standard mortality and morbidity tables for determining unpaid losses (secs. 807(d), 816(b)).¹¹³ The adjustments that are required in order to compute taxable income from State regulatory income constitute a source of complexity.

¹¹¹ H. Rep. 106-238 (July 16, 1999), at 348.

¹¹² The Federal tax rules may similarly interact with certain Federal regulatory laws that are unrelated to accounting. In *Commissioner v. First Security Bank*, 405 U.S. 394 (1972), the Supreme Court held that the IRS could not require a reallocation of insurance premiums from an insurance agency to an affiliate bank under the sec. 482 arm's length transfer pricing standard because the National Bank Act prohibited the bank affiliate from acting as an insurance agent.

¹¹³ Statutory reserves reported in the State regulatory annual statement are also relevant for purposes of determining the amount of tax deductible dividends paid by mutual life insurance companies (sec. 809). Similarly, property and casualty insurance companies determine gross investment and underwriting income for tax purposes based in part upon the State regulatory annual statement (sec. 832(b)).

Opposing policy goals of the Federal income tax laws and the State insurance regulatory rules may lead to a divergence in results under the two systems.

4. State laws concerning entity classification

The classification of a non-corporate entity as a partnership or corporation for Federal tax purposes has become largely elective.¹¹⁴ The entity classification rules generally permit non-corporate entities with a single owner to be disregarded for Federal income tax purposes.¹¹⁵ As compared to the entity classification tax rules that were in effect prior to 1996, the present-law rules are less reliant upon State law concepts. However, there continues to be some interaction between the present-law rules and various State laws.¹¹⁶

The advent of disregarded entities has raised issues under State law that could necessitate additional complexity in future administrative guidance. In fact, certain interpretive problems have already begun to emerge in the application of State law to entities that are disregarded under the Federal entity classification rules. For instance, present law generally provides nonrecognition treatment of gain or loss associated with a corporate reorganization. Section 368(a)(1)(A) defines corporate reorganizations to include statutory mergers or consolidations. Current regulations require a statutory merger or consolidation under section 368(a)(1)(A) to be effected pursuant to the corporation laws of the United States or a State or territory, or the District of Columbia.¹¹⁷ Last year, the Treasury Department published proposed regulations that would exclude from the definition of a statutory merger or consolidation any merger involving a disregarded entity, even if the disregarded entity is recognized under State law as a separate entity and the merger meets the requirements of State law.¹¹⁸ As taxpayers gain further

¹¹⁴ See Treas. Reg. sec. 301.7701-3(a).

¹¹⁵ Treas. Reg. sec. 301.7701-1(a)(4). In fact, domestic eligible entities with a single owner are presumptively disregarded as separate entities for Federal tax purposes unless they elect otherwise. Treas. Reg. sec. 301.7701-3(b)(1)(ii). The assets, liabilities, income, expenses, and credits of a disregarded entity are generally treated as those of the entity's owner.

¹¹⁶ Classification of an entity as disregarded for Federal tax purposes is essentially limited to single-member limited liability companies because entities formed under State law as corporations also must be treated as corporations for Federal tax purposes, and partnerships generally require at least two owners under State law. Treas. Reg. sec. 301.7701-2(b)(1) (defining a corporation for Federal tax purposes as, among other things, a business entity organized under a State statute that refers to the entity as incorporated or as a corporation, body corporate, or body politic). With the exception of Massachusetts, all States and the District of Columbia have enacted legislation permitting the formation of single-member limited liability companies.

¹¹⁷ Treas. Reg. sec. 1.368-2(b)(1).

¹¹⁸ Prop. Reg. sec. 1.368-2(b)(1). The proposed rules would also apply to entities that are disregarded for Federal tax purposes by virtue of their status as qualified REIT (real estate

experience with the Federal entity classification rules, it is likely that the coordination between the entity classification rules and State law will continue to be a source of complexity.

5. State income tax laws

Most States that impose an income tax generally conform their tax base to the Federal income tax base. However, the degree of conformity varies widely among the States, creating complexity for taxpayers who are subject to both Federal and State income taxes. This complexity is compounded for taxpayers who are subject to income taxes in multiple States. While the income tax base of a few States is in full conformity with the Federal income tax base,¹¹⁹ the remaining States determine their income tax base by making various additive and subtractive adjustments to Federal adjusted gross income.¹²⁰

The interaction between Federal and State income tax laws as a source of complexity may be an unavoidable product of the desire of States to preserve autonomy over their own tax laws.¹²¹ Nevertheless, the frequency and extent of changes to the Federal income tax laws can have the effect of exacerbating the complexity of State income tax laws, particularly in States that only conform to Federal tax laws in effect on a particular date rather than on a continuing basis that takes into account subsequent changes to the Federal tax rules.¹²² Congress has made

investment trust) subsidiaries under sec. 856(i)(2) or qualified subchapter S subsidiaries under sec. 1361(b)(3)(B).

¹¹⁹ For personal income tax purposes, Rhode Island and Vermont fully conform to the Federal income tax base, while North Dakota offers full conformity as an alternative base.

¹²⁰ Most of these adjustments have been characterized as “reflect[ing] needs or the idiosyncrasies of (or political pressures on) state legislatures.” Hellerstein & Hellerstein, *State Taxation* para. 20.02 (1998) (hereinafter “Hellerstein”).

¹²¹ The sensitivity of States toward Federal usurpation of their taxing power has its roots in the Constitutional Convention. *The Federalist* Nos. 31, 32 (Alexander Hamilton). See also Pollack, *The Failure of U.S. Tax Policy: Revenue and Politics* 35 (1996) (“The retention of an independent power of taxation for the local state governments under the Constitution of 1789 contributed much to preserving their autonomy.” (citations omitted)). On a more practical level, the residual fiscal impact on States of significant tax increases or decreases at the Federal level has deterred States from fully conforming to the Federal income tax rules. For a thorough discussion of the political and constitutional dynamics that influence State conformity to Federal income tax laws, see Hellerstein at para. 7.02.

¹²² States that have ongoing conformity to current Federal tax laws include: Alaska (corporate only), Colorado, Connecticut, Delaware, Illinois, Kansas, Louisiana, Maryland, Massachusetts (corporate only), Missouri, Montana, Nebraska, New Jersey (corporate only), New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania (corporate only), Rhode Island, Tennessee (corporate only), Utah, Vermont, and Virginia. The District of Columbia also conforms to current Federal tax laws. States that have conformed to Federal tax laws in effect as of a specified date include: Arizona, California, Florida (corporate only),

at least one attempt to eliminate the complexity arising from the interaction of Federal and State tax laws. In 1972, the Federal-State Tax Collection Act (“1972 Act”) was enacted to encourage States to conform their income tax base to the Federal income tax base.¹²³ The 1972 Act offered States the opportunity to enter into an agreement to have the Federal government collect and administer their individual income taxes.¹²⁴ In return, States entering into such an agreement would be required to fully conform their individual income tax base to the Federal income tax base (subject to certain specified adjustments). However, the provisions of the 1972 Act were repealed in 1990 after no State had entered into an agreement.¹²⁵ The demise of the 1972 Act illustrates the inherent difficulties in addressing (at least on the Federal level) the complexity that arises from the interaction between the Federal and State tax rules.

Georgia, Hawaii, Idaho, Indiana, Iowa, Kentucky, Maine, Massachusetts (individual only), Michigan, Minnesota, New Hampshire, North Carolina, South Carolina, Texas (corporate franchise tax only), West Virginia, and Wisconsin.

¹²³ Pub. Law No. 92-512.

¹²⁴ Former secs. 6361 through 6365.

¹²⁵ Revenue Reconciliation Act of 1990, Pub. Law No. 101-508.

F. Interaction of Federal Tax Laws with Other Federal Laws and Standards

1. Federal securities laws

Under present law, at least 24 sections of the Internal Revenue Code contain direct references to Federal securities laws such as the Securities Act of 1933, Securities Exchange Act of 1934, Commodity Exchange Act, and Investment Company Act of 1940.¹²⁶ Generally, these references are definitional in nature and provide a measure of uniformity and consistency for both tax and non-tax purposes.¹²⁷ Substantive interaction between the Federal tax and securities laws often occurs when the tax rules are amended in response to securities law developments. If the structural tax rules are preserved, these legislative and administrative attempts to address the tax implications of securities law changes can contribute to complexity.¹²⁸ In some cases, the

¹²⁶ See sec. 67(c)(2)(B)(i)(I) (2-percent floor on miscellaneous itemized deductions), sec. 72(l) (annuities; certain proceeds of endowment and life insurance contracts), sec. 83(c)(3) (property transferred in connection with performance of services), sec. 162(m) (trade or business expenses; certain excessive employee remuneration), sec. 277(b)(3) (deductions incurred by certain membership organization in transactions with members), sec. 368(a)(2)(F)(vii), sec. 401(g) (qualified pension, profit-sharing, and stock bonus plans), sec. 408(m)(3)(B) (individual retirement accounts), sec. 409(e)(4) (qualifications for tax credit employee stock ownership plans), sec. 543(a)(1)(D) (personal holding company income), sec. 731(c)(2)(B)(II) (extent of recognition of gain or loss on distribution), sec. 851 (definition of regulated investment company), sec. 852(d) (taxation of regulated investment companies and their shareholders), sec. 856(c)(5)(F) (definition of real estate investment trust), sec. 901(k)(4)(A) (taxes of foreign countries and of possessions of United States), sec. 954(h)(2)(B)(iii) (foreign base company income; active finance exception), sec. 1234B(c) (gains or losses from securities futures contracts), sec. 1246(b) (gain on foreign investment company stock), sec. 1256(g)(6)(B) (sec. 1256 contracts marked to market), sec. 1296(e)(1)(A)(i) (election of mark to market for marketable personal foreign investment company stock), sec. 1297(f)(3)(A) (passive foreign investment company), sec. 6049(b)(1)(F) and (b)(4)(J) (returns regarding payment of interest), and sec. 7603(b)(2)(D) (service of summons). The regulations contain many more direct references to Federal securities laws.

¹²⁷ For instance, several sections define dealers and brokers in various types of securities simply by reference to registration under securities laws. See secs. 165(j)(3)(B), 901(k)(4)(A), 954(h)(2)(B)(iii), and 1256(g)(8)(A). By contrast, other sections provide their own definitions of dealers and brokers that do not necessarily coincide with registered status under securities laws. See sec. 475(c)(1).

¹²⁸ For instance, simultaneous with the creation of “securities futures contracts” in the Commodity Futures Modernization Act of 2000, sec. 1234B was enacted and a number of other provisions were amended to address the tax treatment of securities futures contracts. Administratively, Treasury has issued additional regulations concerning the qualified covered call option exception to the sec. 1092 straddle rules in response to the creation of exchange-traded options with flexible terms by the Chicago Board of Exchange. In both cases, the new rules created additional complexity by expanding the scope of existing rules that were already complex.

complexity of specific tax rules has been moderated by simply referring to existing securities laws.¹²⁹

Occasionally, the interaction between the Federal tax laws and securities laws is more implicit, particularly with regard to disclosure. For instance, the original issue discount regulations governing certain contingent payment debt instruments require interest expense and income accruals based in part upon a projected payment schedule provided by the issuer.¹³⁰ This requirement has raised the concern that a projected payment schedule could be construed as a forward-looking statement with implications for exposing the issuer to liability under securities laws.¹³¹ Section 1272(a)(6) contains a similar requirement for determining original issue discount accruals on certain debt instruments that are subject to prepayment.¹³² The complexity arising from securities law disclosure issues would become more pronounced if such accrual-based rules were extended beyond the context of original issue discount.

2. Federal labor laws

Present law sections 401 through 420 provide detailed rules for determining whether certain employee retirement benefit plans and individual retirement plans qualify for preferential tax status.¹³³ These rules were significantly revised and coordinated with Federal labor laws concerning employee benefit plans as part of the Employee Retirement Income Security Act of

¹²⁹ For instance, the sec. 162(m) \$1 million limitation on deductible employee compensation expenses applies to “publicly held corporations” and “covered employees” by reference to the Securities Exchange Act of 1934.

¹³⁰ Treas. Reg. sec. 1.1275-4(b).

¹³¹ See Garlock, *Federal Income Taxation of Debt Instruments* sec. 9.04[D] (2000).

¹³² Specifically, sec. 1272(a)(6)(B)(iii) requires original issue discount to be computed using a prepayment assumption. This requirement is less likely than the contingent payment debt regulations to provoke securities law concerns because the prepayment assumption is generally based upon more widely available and objective financial information, such as market interest rates.

¹³³ The types of employee retirement benefit plans that can qualify for tax benefits are pension plans, profit sharing plans, stock bonus plans, and annuity plans. The primary tax benefits that qualified retirement plans receive include (1) current deductions for employer contributions to a plan, (2) deferral of taxable income to employees for employer contributions to a plan and earnings of the plan, (3) sec. 72 annuity treatment for distributions from a plan in the form of annuity payments, (4) income deferral for distributions of employer securities until the employee disposes of the securities, (5) income deferral on certain distributions that are rolled over into an IRA, and (6) no imposition of Social Security taxes on distributions and certain employer contributions. In order to qualify for these tax benefits, plans must satisfy numerous conditions, including requirements designed to ensure that funds in the plan are held solely for the benefit of employees and that the plan does not discriminate in favor of owners, management, or other highly compensated employees.

1974 (“ERISA”). The enforcement of ERISA laws by the Department of Labor does not affect whether a plan qualifies for preferential tax status. For instance, certain plans that are not intended to qualify for preferential tax status are nevertheless subject to ERISA requirements, while other plans that are exempt from ERISA requirements can still qualify for preferential tax status if they meet the conditions of the applicable tax rules.¹³⁴ However, there is significant overlap between the ERISA rules and the tax rules,¹³⁵ with at least 34 sections of the Internal Revenue Code containing direct references to ERISA provisions.¹³⁶ In fact, Treasury and the

¹³⁴ For example, plans covering sole proprietors (and no employees) are not employee benefit plans subject to ERISA enforcement, but must still satisfy requirements under sec. 401 in order to receive preferential tax treatment.

¹³⁵ Department of Labor Reg. sec. 2530.200a-2 provides that Treasury regulations under secs. 410 and 411 also apply for purposes of ERISA secs. 202 through 204. Conversely, Department of Labor Reg. sec. 2530.200b-2 provides that Department of Labor regulations also apply for purposes of certain overlapping tax sections.

¹³⁶ *See* sec. 194A(a)(1) (contributions to employer liability trusts), sec. 401 (qualified pension, profit-sharing, and stock bonus plans), sec. 404 (deduction for contributions of an employer to an employees’ trust or annuity plan and compensation under a deferred-payment plan), sec. 409 (qualifications for tax credit employee stock ownership plans), sec. 411 (minimum vesting standards), sec. 412 (minimum funding standards), sec. 413(b)(7) (collectively bargained plans, etc.), sec. 414 (employee benefit plan definitions and special rules), sec. 418(b)(7)(B) and (d) (multiemployer plan reorganization status), sec. 418A(a)(2)(A) (notice of multiemployer plan reorganization and funding requirements), sec. 418B(d)(3)(A) (multiemployer plan minimum funding requirement), sec. 418C (overburden credit against multiemployer plan minimum contribution requirement), sec. 418D(a)(1) and (b)(1)(A)(ii) (adjustments in accrued multiemployer plan benefits), sec. 418E (insolvent multiemployer plans), sec. 501 (exemption from tax on corporations, certain trusts, etc.), sec. 3121(a)(5)(F) (Federal Insurance Contributions Act definitions), sec. 3306(b)(5)(F) (Federal Unemployment Tax Act definitions), sec. 4971(g) (taxes on failure to meet minimum employee benefit plan funding standards), sec. 4972(c)(6)(A)(i) (tax on nondeductible contributions to qualified employer plans), sec. 4975 (tax on prohibited transactions by employee benefit plans), sec. 4980B(f)(2)(B)(iv) and (g)(3) (tax on failure of employee benefit plan to satisfy continuation coverage requirements of group health plans), sec. 4980D(f)(2)(B) (tax on failure of employee benefit plan to meet certain group health plan requirements), sec. 6057(a)(1) (annual registration of employee benefit plans), sec. 6058(f) (information required in connection with certain plans of deferred compensation), sec. 6059(d) (periodic report of employee benefit plan actuary), sec. 6103(l)(2) (confidentiality and disclosure of returns and return information), sec. 6511(d)(6) (limitations on credit or refund), sec. 7476(d) (declaratory judgments relating to qualification of certain retirement plans), sec. 7701(a)(35) (definition of enrolled actuary), sec. 9702(a)(3)(B) (establishment of the United Mine Workers of America Combined Benefit Fund), sec. 9712(a)(2)(B) (establishment and coverage of 1992 United Mine Workers of America benefit plan), sec. 9721 (civil enforcement of coal industry health benefits), sec. 9803(b) (guaranteed renewability in multiemployer group health plans and certain multiple employer welfare arrangements), and sec. 9832(d)(1)(B) (group health plan definitions).

IRS share joint responsibility with the Department of Labor for the administration of the ERISA laws.¹³⁷

The Federal tax rules concerning employee benefit plans are complex, and the interaction of these rules with the ERISA laws heightens the risk that the failure of an employee benefit plan to qualify for tax benefits will also create exposure to civil enforcement action under ERISA. However, the coordination of the tax rules with ERISA requirements ensures the application of consistent standards in common areas of concern shared by the tax laws and the labor laws.¹³⁸

3. Generally accepted accounting principles

Section 446(a) provides a general book conformity rule that requires taxpayers to compute taxable income in a manner that is consistent with the taxpayer's method of computing income in keeping his books. This provision recognizes that no uniform method of accounting can be prescribed for all taxpayers and that a taxpayer shall adopt a method that is best suited to its needs. However, a method of accounting that does not clearly reflect income is not permitted. In general, a method of accounting that conforms to generally accepted accounting principles in a particular trade or business will be regarded as clearly reflecting income as long as it is consistently applied.

Although taxpayers are generally permitted to compute taxable income in a manner that is consistent with the overall method of keeping their books, the tax treatment of many items is governed by specific tax provisions without regard to the financial accounting treatment of the item by the taxpayer. In fact, the "conformity" of taxable income to financial accounting income has gradually eroded over time with the enactment of specific tax provisions that govern the treatment of items in a manner that varies from what is permitted or required for financial accounting purposes.¹³⁹ Computing the numerous adjustments that are required in order to

¹³⁷ Pursuant to a reorganization in 1978, the IRS has primary responsibility for participation, vesting, and funding issues, while the Department of Labor has primary responsibility for reporting, disclosure, and fiduciary requirements. However, the Department of Labor may intervene in any matters that materially affect the rights of retirement plan participants, regardless of primary responsibility.

¹³⁸ In 1996, Congress determined that the complexity in administering and applying the tax rules concerning qualified retirement plans was discouraging employers -- particularly small employers -- from establishing any plans at all. Consequently, the Small Business Job Protection Act of 1996 was enacted with a package of pension simplification provisions that included the creation of SIMPLE retirement plans for small businesses.

¹³⁹ Treas. Reg. sec. 1.446-1(a)(1). See Gertzman, *Federal Tax Accounting* para. 4.02[3] (2000). For instance, sec. 263A requires the capitalization of direct and indirect costs allocable to inventory property. Because generally accepted accounting principles provide a different methodology for determining the capitalization of costs associated with inventory property, there is a divergence of tax treatment from financial accounting treatment with regard to such costs. Other examples of differences between tax accounting and financial accounting include the treatment of bad debts, depreciation of capital assets, deductibility of penalties, income from

derive taxable income from financial income is a source of complexity in the Federal tax rules, as well as a primary cause of disputes between the IRS and business taxpayers. Nevertheless, this complexity has often been justified by the distinctions between the policies and objectives of the Federal tax rules as compared to those of financial accounting standards. These policy differences and the discretion that is often permitted by generally accepted accounting principle rules are factors that many have cited as preventing broad-based conformity between the Federal tax rules and financial accounting standards.¹⁴⁰ Although broad-based conformity may not be desirable or feasible, the additional complexity that is caused by the particular differences between tax accounting and financial accounting should be weighed against the policy reasons for such differences.¹⁴¹

advance payments, and the deductibility of most reserves (such as warranty costs). By contrast, some tax rules explicitly permit or require conformity to financial accounting, such as: sec. 471(a) (conformity requirement for the last in, first out method of accounting for inventories); Treas. Reg. sec. 1.166-2(d)(3) (permitting banks to elect conformity of bad debt deductions with financial accounting charge-offs required by regulators); Treas. Reg. sec. 1.451-4(d) (conformity requirement relating to accounting for redemption of trading stamps and coupons); Treas. Reg. sec. 1.451-4(b)(1) (modified conformity requirement for income deferral of certain advance payments for provision of goods); and Rev. Proc. 71-21, 1971-2 C.B. 549, sec. 3.11 (modified conformity requirement for income deferral of certain advance payments for provision of services).

¹⁴⁰ In *Thor Power Tool Co. v. Commissioner*, 439 U.S. 522 (1979), the Supreme Court stated that “financial accounting has as its foundation the principle of conservatism” and the attendant understatement of income and assets, while “[t]he primary goal of the income tax system, by contrast, is the equitable collection of revenue.” In light of these “markedly different goals and responsibilities” the Court concluded that “any presumptive equivalency between tax and financial accounting would be unacceptable.” *Id.* at 542-543. See also *PNC Bancorp, Inc. v. Commissioner*, 212 F.3d 822, 832 (3d Cir. 2000) (noting that the financial accounting standards in question have “little, if any, bearing on the appropriate tax analysis”); *Fidelity Associates, Inc. v. Commissioner*, 63 T.C.M. 2327, 2332 (1992) (stating that “it is well recognized that tax accounting requirements may diverge from financial accounting standards and that financial accounting standards are not controlling for tax purposes”).

¹⁴¹ There are several other types of differences between the tax rules and financial accounting rules beyond timing differences in the recognition of income and expense. For instance, certain transfers of property may trigger gain or loss recognition under the tax rules but not the financial accounting rules (and vice versa).

G. Interaction of Federal Tax Laws with Laws of Foreign Countries and Tax Treaties

1. Laws of foreign countries

Overview of interaction between United States tax laws and foreign laws

The United States taxes the income of U.S. citizens, residents, and corporations (collectively, “U.S. persons”) on a worldwide basis, regardless of whether the income is derived from sources within the United States or elsewhere. In addition, the United States taxes nonresident foreign individuals and foreign corporations (collectively, “foreign persons”) on income that has a sufficient nexus to the United States.

For U.S. persons with relationships or activities in foreign countries, the intrinsic complexity of the U.S. tax rules often is compounded by the interaction of these rules with the laws of foreign countries, particularly for taxpayers who are subject to foreign taxes.¹⁴² From a transactional perspective, the interplay between U.S. tax laws and the laws of foreign countries can be remarkably complex when applied to cross-border transactions. This complexity is attributable to several factors, including (1) the effect that foreign law can have on determining the U.S. tax consequences of a cross-border transaction, and (2) the fact that U.S. and foreign laws independently may give rise to tax consequences with respect to the same cross-border transaction. Because two or more different tax jurisdictions will be involved, the income from cross-border transactions and activities is likely to face a significantly more complicated tax environment than income from transactions and activities located solely within the United States.¹⁴³ Therefore, taxpayers must consider the rules under which income is taxed in both (or all) jurisdictions. In the case of a country with which the United States has a tax treaty in effect, the taxpayer also must consider any special treaty rules that pertain to the transaction, in addition to the general rules of the two (or more) tax jurisdictions.

Explicit interaction between United States tax laws and foreign laws

Several U.S. tax law provisions explicitly address the impact of foreign law on the determination of U.S. tax liabilities.¹⁴⁴ For instance, the U.S. tax rules that provide credits for

¹⁴² Similar complexities arise with regard to the U.S. activities of foreign persons, who must contend with the interaction between U.S. tax laws and the tax laws in their home country.

¹⁴³ The degree of complexity is closely associated with the financial circumstances of the taxpayer, as well as the particular foreign country involved. In fact, individual taxpayers living abroad actually may encounter less complexity from the U.S. tax rules than similarly situated taxpayers residing in the United States because of the sec. 911 gross income exclusion for foreign earned income (up to a specified threshold amount).

¹⁴⁴ There are at least 123 direct references to foreign countries in the Federal tax rules, of which approximately 40 require domestic taxpayers to apply foreign laws or international agreements concerning foreign social security systems in order to determine their Federal tax liability. *See* sec. 27 (taxes of foreign countries and possessions of the United States; possession tax credit), sec. 56(g)(4)(C)(iii) (adjustments in computing alternative minimum taxable income), sec. 66(d)(3) (treatment of community income), sec. 163(j) (limitation of deduction for interest-

foreign taxes paid (“foreign tax credits”) contain many definitional requirements relating to foreign law that are relevant in determining whether a taxpayer has paid a creditable foreign tax. In particular, the foreign tax credit regulations provide that a foreign tax is creditable only if the tax “requires a compulsory payment pursuant to the authority of a foreign country to levy

stripping), sec. 168(g)(6)(A) (accelerated cost recovery system), sec. 273 (limitation on deduction for life or terminable interest), sec. 275(a)(4) (limitation on deduction for certain taxes), sec. 404A (deduction for certain foreign deferred compensation plans), sec. 461(f) (deductibility of contested liabilities), sec. 515 (credit for taxes of foreign countries and possessions of the United States on unrelated business taxable income), sec. 535(b)(1) (accumulated taxable income subject to accumulated earnings tax), sec. 545(b)(1) (undistributed personal holding company income), sec. 552 (definition of foreign personal holding company), sec. 556(b)(1) (undistributed foreign personal holding company income), sec. 642(a) (foreign tax credits for trusts and estates), sec. 665(d)(2) (definition of taxes imposed on a trust), sec. 702(a)(6) (income and credits of a partner), sec. 703(a)(2)(B) and (b)(3) (partnership computations), sec. 772(d)(6) (simplified flow-through method for electing large partnerships), sec. 807(e)(4)(A) (rules for certain insurance company reserves), sec. 814(f)(1) (contiguous country branches of domestic life insurance companies), sec. 841 (credit for foreign taxes), sec. 842 (foreign companies carrying on insurance business), sec. 853 (foreign tax credit allowed to regulated investment company shareholders), sec. 861(e)(3) (income from sources within the United States), sec. 864(d)(7)(A) (income sourcing definitions and special rules), sec. 865(g)(2) (special source rules for personal property sales by U.S. citizens and residents), sec. 872(b) (exclusions from gross income of nonresident foreign individuals), sec. 877(b) (expatriation to avoid tax), sec. 879(c)(2) (tax treatment of certain community income of nonresident foreign individuals), sec. 883(a) (exclusions from foreign corporation gross income), sec. 891 (doubling of rates of tax on citizens and corporations of certain foreign countries), sec. 893 (compensation of employees of foreign governments or international organizations), sec. 894(c) (income affected by treaty), sec. 896 (adjustment of tax on nationals, residents, and corporations of certain foreign countries), sec. 901 (credit for taxes of foreign countries and of possessions of the United States), sec. 902 (deemed paid foreign tax credit where domestic corporation owns 10 percent or more of voting stock of foreign corporation), sec. 903 (foreign tax credit for taxes in lieu of income, etc., taxes), sec. 904(c) and (d) (limitation on foreign tax credit), sec. 907(b) (special foreign tax credit rules in case of foreign oil and gas income), sec. 911(d)(8)(A) (gross income exclusion for citizens or residents of the United States living abroad), sec. 954(b)(4) (subpart F foreign base company income), sec. 964(b) (miscellaneous subpart F provisions), sec. 999 (international boycotts), sec. 1014(b) (basis of property acquired from a decedent), sec. 1293(g)(1)(B)(i) (current taxation of income from passive foreign investment company qualified electing funds), sec. 1401(c) (rate of self-employment income tax), sec. 1503(d)(2) (computation and payment of tax by consolidated groups), sec. 1504(d) (certain subsidiaries in contiguous countries treated as includible corporations of consolidate group), sec. 2014 (credit for foreign death taxes), sec. 2108 (application of pre-1967 estate tax provisions), sec. 3101(c) (rate of employee Federal Insurance Contributions Act tax), sec. 3111(c) (rate of employer Federal Insurance Contributions Act tax), sec. 3121(b)(12)(B) (Federal Insurance Contributions Act tax definitions), sec. 3306(c)(12)(B) (Federal Unemployment Tax Act tax definitions), sec. 3401(a)(8)(A) (wage withholding definitions), and sec. 4221(e)(1) (certain manufacturers excise tax-free sales).

taxes.”¹⁴⁵ The regulations further provide that “[w]hether a foreign levy requires a compulsory payment pursuant to a foreign country’s authority to levy taxes is determined by principles of U.S. law and not by principles of law of the foreign country.”¹⁴⁶

Courts are often called upon to adjudicate issues in which the application of U.S. tax laws explicitly hinges upon an examination of foreign law.¹⁴⁷ For example, a recent case under section 901 involved the issue of whether “net loans” made by a U.S. bank to the Brazilian Central Bank gave rise to foreign tax credits because of Brazilian taxes that were withheld from the interest payments and paid by the Brazilian Central Bank on behalf of the U.S. bank.¹⁴⁸ The IRS contended that the Brazilian taxes did not qualify for the foreign tax credit because they were not “compulsory” but, rather, were voluntary.¹⁴⁹ Reversing a Tax Court decision in favor of the IRS, the D.C. Circuit Court of Appeals held that the taxes withheld and paid by the Brazilian Central Bank were “compulsory” and, thus, potentially creditable.¹⁵⁰ This case

¹⁴⁵ Treas. Reg. sec. 1.901-2(a)(2)(i).

¹⁴⁶ *Id.*

¹⁴⁷ Courts have consistently expressed deference to foreign jurisdictions in the interpretation of their own laws, while reserving the right to construe the U.S. tax rules on the basis of the factual consequences arising from the application of foreign laws (as interpreted by the foreign jurisdiction). *See, e.g., Biddle v. Commissioner*, 302 U.S. 573 (1938).

¹⁴⁸ *Riggs Nat’l Corp. v. Commissioner*, 163 F.3d 1363 (D.C. Cir. 1999), *rev’g and remanding* 107 T.C. 301 (1996). “Net loans” provide for the borrower to pay a fixed interest rate, net of the lender’s liability for local taxes that are withheld and paid by the borrower. Because a net loan provides for a fixed net interest rate, the borrower bears the risk of any increases in the tax rate and benefits from any decreases in the tax rate.

¹⁴⁹ The IRS based its position upon rulings by the Brazilian Supreme Court and Brazilian Revenue Service indicating that the Brazilian Central Bank was immune from taxes on net loan transactions, notwithstanding a later ruling by the Brazilian Finance Minister that the Brazilian Central Bank was required to withhold and pay taxes on net loans.

¹⁵⁰ The appellate court determined that the Brazilian Finance Minister did, in fact, implement its ruling and require the Brazilian Central Bank to withhold and pay Brazilian taxes on the net loans. According to the appellate court, the IRS position and Tax Court decision were based upon an impermissible inquiry into the binding effect of the Brazilian Finance Minister ruling under Brazilian law. On remand, the Tax Court again held that the Brazilian taxes were not eligible for the foreign tax credit because the taxpayer could not establish that the taxes were actually paid by the Brazilian Central Bank. *Riggs Nat’l Corp. v. Commissioner*, 81 T.C.M. (CCH) 1023 (2001). The requirement that the foreign taxes actually be paid has been another contentious issue involving foreign tax credits, particularly as it relates to loans that have been made to foreign borrowers. *Bankers Trust N.Y. Corp. v. United States*, 225 F.3d 1368 (Fed. Cir. 2000); *Norwest Corp. v. Commissioner*, 69 F.3d 1404 (8 Cir. 1995); *Continental Ill. Corp. v. Commissioner*, 998 F.2d 513 (7 Cir. 1993).

illustrates the practical difficulties faced by taxpayers and the IRS in properly discerning the interaction between foreign law and U.S. tax rules when the permissible relevance of foreign law is limited in scope but the applicable U.S. tax rules are fundamentally a function of foreign law.¹⁵¹

Implicit interaction between United States tax laws and foreign tax laws

U.S. and foreign tax laws also can implicitly interact by independently giving rise to tax consequences under each country's laws with respect to the same transaction. For example, a sale by a U.S. corporation to a foreign customer through its foreign branch is taxable to the U.S. corporation by the United States. Assuming that the U.S. corporation maintains a taxable presence in the foreign jurisdiction, the sale will also be taxable by the foreign jurisdiction. Consequently, the interaction of U.S. tax rules with the tax laws of other countries creates complexity, in terms of the need to consider the laws of each country, and can result in certain adverse consequences, such as the potential for double taxation.¹⁵² Some of these consequences can be addressed by general provisions in the laws of one or both countries (*e.g.*, foreign tax credits or exemptions from tax), or through special rules contained in a treaty that govern the primary or exclusive jurisdictional tax rights of each country.

The complexity that arises from the implicit interaction between foreign laws and the U.S. tax rules can lead to tax arbitrage opportunities for taxpayers, particularly when the foreign laws and the U.S. tax rules yield inconsistent tax results for the same transaction. For instance, the implicit interaction between foreign laws and the U.S. tax rules can give rise to multiple depreciation deductions in a cross-border leasing transaction in which the taxpayer retains legal title to leased property in a country that provides depreciation deductions based upon legal (rather than economic) ownership of property, and transfers economic ownership of the property

¹⁵¹ See, *e.g.*, *United States v. Goodyear Tire & Rubber Co.*, 493 U.S. 132 (1989); *Amoco Corp. v. Commissioner*, 138 F.3d 1139 (7th Cir. 1998); *Vulcan Materials Co. v. Commissioner*, 96 T.C. 410 (1991), *aff'd per curiam*, 959 F.2d 973 (11 Cir. 1992), *nonacq.* 1995-1 C.B. 1.; *Phillips Petroleum Co. v. Commissioner*, 104 T.C. 256 (1995). See also Isenbergh, *The Foreign Tax Credit: Royalties, Subsidies, and Creditable Taxes*, 39 Tax L. Rev. 227, 228 (1984) ("How much a foreign tax system can differ from ours in its structure and practical effect and still give rise to creditable income taxes has been a matter of dispute virtually since the credit was introduced.").

¹⁵² For instance, double taxation issues could arise to the extent that adjustments required by the sec. 482 arm's-length standard are not recognized by the foreign jurisdiction. See *Procter & Gamble Co. v. Commissioner*, 95 T.C. 323 (1990), *aff'd*, 961 F.2d 1255 (6th Cir. 1992); *Exxon Corp. v. Commissioner*, 66 T.C.M. (CCH) 1707 (1993). These double taxation issues can be resolved through a competent authority process under the mutual agreement procedures of a tax treaty between the United States and the foreign jurisdiction, although resolution of issues under this procedure is not assured and the process can be lengthy. Alternatively, some of the complexities in this area have been somewhat addressed by the use of advance pricing agreements.

to another party in a different country in which depreciation deductions are based upon economic (rather than legal) ownership.¹⁵³

The inherent complexity of the interaction between U.S. and foreign tax laws can be compounded if the United States and the foreign country have entered into a tax treaty containing special provisions that must be considered in addition to the general provisions of U.S. and foreign laws, as described below.

2. Tax treaties

Overview of tax treaties

The traditional objective of U.S. tax treaties has been to preclude international double taxation and prevent tax avoidance and evasion. Another related objective of U.S. tax treaties is the removal of barriers to trade, capital flows, and commercial travel that may otherwise be caused by overlapping tax jurisdictions. U.S. tax treaties also reduce the burdens of complying with the tax laws of a jurisdiction merely because the taxpayer has minimal contacts with and derives minimal income from the jurisdiction.

Tax treaties generally prevent double taxation by requiring each country to limit, in specified situations, its right to tax income earned in its territory by residents of the other country. Thus, tax that otherwise would be imposed under applicable foreign tax laws on certain foreign-source income earned by U.S. persons may be reduced or eliminated by treaty. Conversely, U.S. tax on U.S.-source income earned by foreign persons may be reduced or eliminated by treaty provisions that treat certain foreign taxes as creditable for purposes of computing U.S. tax liability.

For the most part, the various rate reductions and exemptions agreed to by the source country in treaties are premised on the assumption that the country of residence will tax the income at levels comparable to those imposed by the source country on its residents. Treaties also eliminate double taxation by requiring the country of residence to provide a credit for any taxes that the source country imposes under the treaty. For certain types of income, tax treaties may require the country of residence to exempt income that is taxed by the source country.

¹⁵³ There are several other examples of cross-border tax arbitrage opportunities. See Rosenbloom, *The David R. Tillinghast Lecture: International Tax Arbitrage and the "International Tax System"*, 53 Tax L. Rev. 137 (Winter 2000). For a statutory response to international tax arbitrage in the treaty context, see sec. 894(c), which denies treaty benefits to foreign persons with regard to reduced withholding tax rates on items of income derived through an entity that is treated as a partnership (or is otherwise treated as fiscally transparent) for U.S. tax purposes if (1) such item is not treated for purposes of the treaty partner's tax laws as an item of income of such person, (2) the treaty does not contain a provision addressing the applicability of the treaty in the case of income derived through a partnership or other fiscally transparent entity, and (3) the foreign treaty partner does not impose tax on an actual distribution of such item of income to such person.

Tax treaties generally preclude tax avoidance and evasion by providing for the exchange of tax-related information between the tax authorities of the contracting countries when such information is necessary for carrying out provisions of the treaty or of their domestic laws.

Interaction between tax treaties and United States tax laws

To a large extent, tax treaty provisions that are designed to prevent international double taxation, and to preclude tax avoidance and evasion, supplement certain U.S. tax law provisions that have the same objectives.¹⁵⁴ Treaty provisions modify the generally applicable U.S. statutory rules in order to take into account the particular tax system of the treaty partner.

Section 894(a) generally provides that the U.S. tax laws are to be applied “with due regard to any treaty obligation of the United States.” The language of section 894(a) indicates a relationship between tax treaties and the U.S. tax laws in which the priority of one over the other generally relies upon rules of statutory interpretation.¹⁵⁵ However, certain provisions of the

¹⁵⁴ There are at least 34 sections of the Code containing direct references to treaties. *See* sec. 163(e)(3)(A) and (j) (original issue discount; interest-stripping rules), sec. 245(a)(10) (dividends received from certain foreign corporations), sec. 269B(d) (stapled entities), sec. 535(b)(9) (accumulated taxable income subject to accumulated earnings tax), sec. 543(a)(4) (personal holding company income treatment of copyright royalties), sec. 545(b)(7) (undistributed personal holding company income), sec. 643(a)(6)(B) (definitions applicable to estates, trusts and beneficiaries), sec. 814(f)(2) (contiguous country branches of domestic life insurance companies), sec. 865(h)(2)(A)(ii) (source rules for personal property sales), sec. 877(e) (expatriation to avoid tax), sec. 884 (branch profits tax), sec. 892(a)(3) (income of foreign governments and of international organizations), sec. 894 (income affected by treaty), sec. 897(i) (disposition of investment in United States real property), sec. 904(g)(10) (limitation on foreign tax credit), sec. 943(e)(1) (other foreign sourcing definitions and special rules), sec. 952(b) (subpart F income defined), sec. 953(c)(3)(C)(i)(II) and (d)(1)(D) (subpart F insurance income), sec. 1248(d)(4) (gain from certain sales or exchanges of stock in certain foreign corporations), sec. 1293(g)(1)(B)(ii)(III) (current taxation of income from passive foreign investment company qualified electing funds), sec. 1298(b)(8) (special passive foreign investment company rules), sec. 2102(c)(3)(A) (nonresident foreign estate credits against tax), sec. 3405(e)(1)(B)(iii) (special rules for pensions, annuities, and certain other deferred income), sec. 4373(1) (foreign insurer excise tax exemptions), sec. 6049(b)(5)(B)(ii) (returns regarding payments of interest), sec. 6105 (confidentiality of information arising under treaty obligations), sec. 6110(i)(1)(B) (public inspection of written determinations), sec. 6114 (treaty-based return positions), sec. 6511(d)(3) (limitations on credit or refund), sec. 6712 (failure to disclose treaty-based return positions), sec. 6724(d) (information reporting requirement waivers, definitions, and special rules), sec. 7422(f)(1) (civil actions for refund), sec. 7803(b)(2)(C) (Commissioner of Internal Revenue; other officials), and sec. 7852(d) (conflicts between U.S. tax laws and tax treaties).

¹⁵⁵ Conversely, coordination between U.S. tax laws and tax treaties may be carried out in provisions of the treaties themselves. For instance, tax treaties often provide rules that specify the residence or domicile of an individual who may be subject to tax as a resident under the domestic laws of both treaty partners. The United States typically includes in its tax treaties a “saving clause” in order to preserve its right to tax U.S. citizens or residents who are residents of

Code explicitly address the interaction between U.S. tax laws and tax treaties when they might otherwise conflict.¹⁵⁶ When Congress has not specifically provided for priority between a tax law and tax treaty, courts generally have attempted to supply a harmonious interpretation of the law and treaty. When such interpretation is not possible, courts generally have given priority to the rules that came into effect later in time.¹⁵⁷

In 1988, the “later-in-time” principle was effectively codified in section 7852(d)(1), which provides that, “[f]or purposes of determining the relationship between a provision of a treaty and any law of the United States affecting revenue, neither the treaty nor the law shall have preferential status by reason of its being a treaty or law.”¹⁵⁸ Section 7852(d)(1) is the operative statutory rule for resolving potential future conflicts between U.S. tax laws and tax treaties.¹⁵⁹ Although the “later-in-time” rule can result in treaty overrides in certain

treaty partners. Unless otherwise provided in the treaty, the saving clause generally allows the United States to continue to tax its citizens or residents as if the treaty was not in force. However, the scope of saving clauses differs among various treaties. Some saving clause provisions apply only to preserve U.S. taxing jurisdiction over its current citizens or residents, while other saving clause provisions are broader in scope and apply to both current and former U.S. citizens (but not former long-term U.S. residents). Still other saving clause provisions apply to both former U.S. citizens and former long-term U.S. residents.

¹⁵⁶ For example, *compare* sec. 643(a)(6)(B) (U.S.-source gross income of foreign trust determined without regard to treaty provisions) *with* sec. 865(h)(2)(A)(ii) (general sourcing rule for gain from sale of certain stock or intangibles subject to treaty provisions).

¹⁵⁷ *See, e.g., Whitney v. Robertson*, 124 U.S. 190, 195 (1888); *Reid v. Covert*, 354 U.S. 1, 18 (1957). In order to prevent a wholesale application of the “later-in-time” rule when the Internal Revenue Code was recodified and reenacted in 1954, Congress provided a saving clause in sec. 7852(d)(2) stating that treaty rules in effect on August 16, 1954, had priority over the recodified tax laws (other than subsequently enacted laws). Although Congress did not update the sec. 7852(d)(2) saving clause when it recodified the Internal Revenue Code in 1986, sec. 7852(d)(2) has nevertheless been interpreted to apply to the 1986 recodification.

¹⁵⁸ *See* Technical and Miscellaneous Revenue Act of 1988, Pub. Law No. 100-647, sec. 1012(aa)(1)(A).

¹⁵⁹ In discussing the complex interaction between U.S. tax laws and tax treaties, the Senate Finance Committee report explained at length the challenges involved in providing a prospective tax rule that resolves future conflicts:

The committee believes that a basic problem that gives rise to the need for a clarification of the equality of statutes and treaties is the complexity arising from the interaction of the Code, treaties, and foreign laws taken as a whole. ... The committee does not believe that Congress can either actually or theoretically know in advance all of the implications for each treaty, or the treaty system, of changes in domestic law, and therefore Congress cannot at the time it passes each tax bill address all potential treaty conflict issues raised by the bill. This

circumstances, it can be viewed as an easily administrable rule of general application for addressing some of the complexities associated with the interaction and conflicts between U.S. tax laws and tax treaties.

The interaction of tax treaty provisions with U.S. tax laws -- as well as the tax laws of the treaty partner -- can introduce complexity for taxpayers and tax administrators. In many cases, a single taxpayer may be subject to multiple tax regimes on otherwise similar transactions because the transactions involve different taxing jurisdictions with different treaties. While some complexity must necessarily result from different countries choosing different tax policies, tax treaty provisions should complement U.S. tax law provisions whenever possible. Therefore, ensuring consistency between tax treaty provisions and U.S. tax laws can reduce the complexity and compliance burdens that are often associated with international transactions and activities of taxpayers.

complexity, and the resulting necessary gaps in Congressional foreknowledge about treaty conflicts, make it difficult for the committee to be assured that its tax legislative policies are given effect unless it is confident that where they conflict with existing treaties, they will nevertheless prevail.

S. Rep. 100-445 (August 3, 1988), at 382.

III. EFFECTS OF COMPLEXITY ON THE PRESENT-LAW FEDERAL TAX SYSTEM

A. Overview

There are a number of ways in which complexity can affect the Federal tax system. Among the more commonly recognized effects are: (1) decreased levels of voluntary compliance; (2) increased costs of compliance for taxpayers; (3) reduced perceptions of fairness in the Federal tax system; and (4) increased difficulties in the administration of tax laws.¹⁶⁰ Although there is general agreement among experts that complexity has these adverse effects, there is no consensus on the most appropriate method of measuring the effects of complexity. Consequently, the staff of the Joint Committee on Taxation has not attempted to quantify the precise effects of complexity on the tax system; the staff has, however, described qualitatively these commonly recognized effects and presented information to assist in analyzing these effects.

There are different types of complexity, which can have differing effects. Complexity may in some instances lead to uncertainty in the correct application of the law to particular facts. One example of this is the rules relating to whether certain expenses must be capitalized. In other instances, complexity may involve numerous and tedious computations, with little attendant uncertainty other than computational accuracy. One example of this is the computation of the special rates of tax applicable to capital gains.

Another important factor in analyzing the effects of complexity on the Federal tax system is whether the tax complexity is a function of the complexity of the underlying transactions into which the taxpayer has chosen to enter, as opposed to tax complexity that is generally unrelated to transactional complexity. An example of the former is the taxation of derivatives and other financial transactions; an example of the latter are the rules relating to the earned income credit. While both types of complexity deserve consideration, it is conceivable that greater progress in simplification could be made with regard to tax complexity that is unrelated to the complexity of the underlying transactions.

¹⁶⁰ Bradford, *Untangling the Income Tax* 266 (1986). See also Witte, *The Politics and Development of the Federal Income Tax* 68 (1985); Roberts, *Overview: The Viewpoint of the Tax Lawyer*, in *Federal Income Tax Simplification* 137, 141 (1979); McCaffery, *The Holy Grail of Tax Simplification*, 1990 Wis. L. Rev. 1267, 1311 (Sept./Oct. 1990).

B. Decreased Levels of Voluntary Compliance

It is theoretically possible to measure changes in the level of voluntary compliance over time and correlate those changes to changes in the level of complexity in the Federal tax system that occur during the same period. However, it is not possible to do so as a practical matter, for several reasons. First, there has not been consistent measurement of the levels of voluntary compliance in over a decade. For several years, the IRS conducted comprehensive Taxpayer Compliance Measurement Program surveys, which generally consisted of intensive audits of statistically valid samples of taxpayers. However, the last survey was conducted in 1988, and more recent data on taxpayer compliance that can be correlated with the earlier Taxpayer Compliance Measurement Program data is unavailable. Second, there is no generally agreed upon measure of changes in the level of complexity in the Federal tax system over time. Third, it is not clear the extent to which factors other than changes in the level of complexity in the Federal tax system (such as economic factors) may also influence changes in the levels of voluntary compliance.

Complexity can create taxpayer confusion,¹⁶¹ which may affect the levels of voluntary compliance through either inadvertent errors or intentional behavior by taxpayers. The effect of this uncertainty on the level of voluntary compliance is not necessarily downward. For example, an individual taxpayer preparing his own tax return may, when faced with a complex area of the Code where there are no clear answers, choose to take a conservative filing position (perhaps out of a desire to avoid controversy with the IRS).

Complexity that creates uncertainty also can affect the levels of voluntary compliance through intentional behavior by taxpayers. This will likely have a downward effect on tax compliance because complexity can foster multiple interpretations of the law and aggressive planning opportunities. In addition, taxpayers may consciously decide to “play the audit lottery” by taking a questionable position on their tax returns, in the belief that complexity will at best shield them from discovery and at worst prevent the imposition of penalties.

¹⁶¹ Not all complexity results in taxpayer confusion or uncertainty. Sometimes the tax law is clear but involves a large number of steps or calculations. This kind of complexity would not result in greater taxpayer confusion (or uncertainty), but it could be intimidating. When faced with complicated and lengthy calculations, individual taxpayers preparing their own tax returns may choose to skip the calculations and forgo tax benefits intended for them. For example, the General Accounting Office reports that in tax year 1998, approximately 510,000 individual taxpayers did not itemize their deductions even though it appeared that it would have reduced the amount of income taxes that they owed. General Accounting Office, *Estimates of Taxpayers Who May Have Overpaid Federal Taxes by Not Itemizing* (GAO/GGD-01-529), April 12, 2001.

C. Costs of Complexity

The Joint Committee staff considered whether it is possible to quantify some of the possible costs of complexity for taxpayers. For purposes of this discussion, the expenditure of both time and money are considered costs.

Although there is no single factor by which the costs of complexity can be measured, there are certain indicators of complexity that may be useful to consider. The following discussion considers the following possible indicators of complexity: (1) increased time required by taxpayers to prepare and complete tax returns and increased use of tax return preparers, and (2) increased assistance to taxpayers provided by the IRS.

Commentators often state that complexity of the Federal tax system results in increased costs of compliance for taxpayers.¹⁶² The Joint Committee staff explored whether it is possible to quantify some of the costs of complexity under present law. The Joint Committee staff found that many of the commonly used measures of the costs of compliance, such as the estimate of time required to prepare tax returns, do not provide reliable indicators of such costs. However, some relevant information can be gleaned from the information available.

Individual return preparation time and use of tax return preparers

IRS estimates of individual return preparation time

As required by the Paperwork Reduction Act of 1980, the IRS provides estimates of the amount of time taxpayers spend to comply with the Federal income tax. To meet this requirement, the IRS contracted with an outside consultant to analyze a sample of 1983 Federal individual income tax returns and estimate the amount of time taxpayers spend in: (1) record keeping activities; (2) learning how to prepare the return; (3) finding and using tax preparation services and preparing the return; and (4) copying and sending in the return. Estimates of these activities are included in the instructions that accompany the various tax forms.¹⁶³ For example, the IRS estimates that the tax year 2000 Form 1040 will, on average, require taxpayers to spend 2 hours and 45 minutes in record keeping activities, 3 hours and 25 minutes to learn about the

¹⁶² McCaffery, *The Holy Grail of Tax Simplification*, 1990 Wis. L. Rev. 1267, 1291 (Sept./Oct. 1990) (“Complexity is also expensive. Money is spent on developing studies, rules and forms. Highly skilled individuals are needed as interpreters and tax advice itself is deductible, depriving the government of revenue. Given a fixed revenue-raising system, the dollar costs of complexity are spread over all taxpayers. A particular irony is that all must pay for complexities that, instead of serving equity, may benefit only a few.”).

¹⁶³ These estimates reflect the complexity of the Federal tax law as indicated by the number of forms, and line items on those forms, that taxpayers file. When these forms, or the line items increase, the estimates of the amount of time that taxpayers spend on return preparation activities generally increases.

law or form, 6 hours and 16 minutes to prepare the form, and 35 minutes to copy, assemble and send the form to the IRS.¹⁶⁴

Use of tax return preparers

These estimates of the amount of time taxpayers spend on average assume that no assistance is provided to the taxpayer. In fact, many taxpayers use one or more of the following forms of assistance to prepare and file their returns: paid preparers (such as a tax return preparation service, a certified public accountant or an attorney); computer software; tax guides and other publications; electronic filing; filing using a telephone; and filing over the Internet. Each of these forms of tax return filing assistance may reduce the overall time required for the preparation and filing of individual income tax returns. Thus, the IRS estimates of time spent complying with the Federal individual income tax may somewhat overstate the amount of time taxpayers spend on these efforts. To illustrate the growing importance of these alternative forms of tax return preparation assistance and filing, the following table shows the use of various forms of assistance by taxpayers on their 1990 and 1999 Federal income tax returns.

¹⁶⁴ See the 2000 Form 1040 Instruction Booklet, page 56.

Table 3.--Individual Income Tax Returns Filed in 1990 and 1999

	Returns Filed in 1990 (millions)	Percentage of Returns Filed in 1990	Returns Filed in 1999 (millions)	Percentage of Returns Filed in 1999
All Returns	114	100	127	100
Paid Preparer	55	48	70	55
Computer	18	16	59	46
Electronic Filing	4	4	21	17
Tele-File	0	0	5	4
Internet Filing	0	0	3	2

Note: Amounts rounded to nearest million and nearest percent. In addition, computer software can be used by returns using any mode of return preparation and filing; consequently, percentages can total more than 100 percent. Source: *Individual Income Tax Returns, 1990 and 1999*, Internal Revenue Service, Statistics of Income Division.

Table 3 shows three important changes between 1990 and 1999. First, while the number of tax returns has increased approximately 11 percent from 114 million returns filed in 1990 to 127 million returns filed in 1999, the use of paid preparers increased approximately 27 percent from 55 million in 1990 to 70 million in 1999. Whether this increase in the use of paid return preparers increases or decreases a taxpayer's compliance costs depends on the value of the return preparer's time relative to the value of the taxpayer's time (see discussion below).

Second, there has been a large increase in the percent of individual income tax returns prepared with computer software, from approximately 16 percent of returns filed in 1990 to 46 percent of returns filed in 1999. It is difficult to assess the impact of the increased use of computer software for return filing. The increased use of such software could suggest that taxpayers are purchasing such software because of increased complexity of the present-law Federal tax system. However, it also can be argued that the increase in the number of households with personal computers and the widespread availability of low-cost software reduces the burden of complexity for taxpayers by automating many of the time-consuming calculations that taxpayers previously performed by hand. While the use of computer software may reduce computational burdens for individual taxpayers, it does not eliminate the burdens of keeping records and making certain determinations.

Finally, the last three rows of the table show that there has been a large increase in the use of electronic means of filing income tax returns, from approximately 4 percent of returns filed in 1990 (electronic filing) to approximately 23 percent of returns filed in 1999 (17 percent for electronic filing, 4 percent for tele-file, and 2 percent for filing over the Internet). It is

anticipated that the percentage of electronically filed income tax returns will continue to increase dramatically.¹⁶⁵

As noted above, the current IRS paperwork burden estimates do not reflect the use of paid preparers, computer software, or electronic means of filing tax returns. Further, electronic means of filing tax returns provide several benefits not reflected in the current IRS estimates of the amount of time taxpayers spend complying with the Federal tax law. First, taxpayers may spend less time preparing tax forms and copying, assembling and sending in the returns. Second, taxpayers spend less time learning about the law, or the correct form to use. Third, because computer software is generally more thorough in analyzing taxpayers' situations than taxpayers would be themselves, the number of taxpayer errors may be reduced. For these reasons, the IRS hourly estimates of the amount of time taxpayers spend complying with the Federal individual income tax may be somewhat overstated. The IRS is in the process of updating these estimates with a new study of the amount of time taxpayers spend complying with present law.

However, even assuming the current estimates overstate the amount of time individual taxpayers spend complying with present law, the tax laws nevertheless impose compliance burdens on individual taxpayers. Changes to the law, such as the addition of new targeted tax benefits for individuals, increase these burdens by adding provisions for which taxpayers must (1) assess their eligibility, (2) retain records, and (3) prepare the proper forms or worksheets.

Return preparation time and the cost of compliance

Some analysts have suggested that a measure of the cost to the taxpayer of complying with the Federal income tax could be estimated by applying an estimate of the value of a taxpayer's time to an estimate of the amount of time a taxpayer spends in complying with the Federal individual income tax. To do this requires an estimate of the average value of a taxpayer's time. Some analysts have inferred the value of a taxpayer's time by observing reported amounts of earned income from tax returns. For example, some analysts would use amounts of taxpayer-reported income to infer an hourly wage rate for taxpayers. This methodology has resulted in an estimate of the combined average time and resource cost to individual taxpayers for both Federal and State income taxes of \$12.53 per hour for 1982.¹⁶⁶ In its fiscal year 1998 Budget in Brief, the IRS used an estimate of \$20 per hour in 1998, which essentially comports with the 1982 estimate on an inflation-adjusted basis.¹⁶⁷

Other analysts have inferred the value of a taxpayer's time by observing the market price for professional tax services. For example, this was the approach used by The Tax Foundation in their testimony presented to the House Ways and Means Committee on June 5, 1995. They estimated the average value of a taxpayer's time as an average of the IRS hourly wage rate and

¹⁶⁵ Section 2001 of the IRS Reform Act states that it is the goal of the IRS that 80 percent of all returns be filed electronically by 2007 (Pub. Law No. 105-206, July 22, 1998).

¹⁶⁶ Slemrod & Sorum, *The Compliance Cost of the U.S. Individual Income Tax System*, 37 Nat'l Tax J. 461 (1984).

¹⁶⁷ The IRS no longer includes these estimates in its budget documents.

that of a tax professional at a large, national accounting firm of \$39.60 per hour in 1995.¹⁶⁸ This last estimate of the value of taxpayer time may be biased upwards because it assumes that the value of time for a tax professional is the average value of time for all individuals who file tax returns.¹⁶⁹

Deriving an estimate of the average value of taxpayer time is a difficult undertaking because it often involves ascertaining the willingness of taxpayers to pay for services they do not consume. At present, there is no clear consensus among economists as to how these estimates should be made. As part of its ongoing effort to revise estimates of the amount of time taxpayers spend in compliance activities, the IRS also is investigating the appropriate measure of the value of taxpayer time for tax compliance activities.

In summary, popularly reported estimates of taxpayers compliance costs that simply multiply the IRS-provided preparation times by one of the above-cited estimates of the value of taxpayer time may be inaccurate because: (1) the current estimates of how much time taxpayers spend in compliance activities may be overstated due to the growth in the use of computer and electronic technologies to assist taxpayers in their compliance efforts and due to the assumption that paid preparers are not used in performing these compliance efforts; and (2) there is no reliable measure of the average value of taxpayer time.

IRS assistance provided to taxpayers

While the increase in the utilization of computer software and electronic means of tax return preparation and filing may result in less time spent complying with the Federal tax law by individual taxpayers, the increase in the amount of IRS assistance provided to taxpayers may signify either that taxpayers have increased access to IRS-provided assistance or that taxpayers are more uncertain about their tax situation than they were in the past and, as a result, are seeking more assistance. The following table shows how assistance provided by the IRS has increased from 1990 to 1999.

¹⁶⁸ The Tax Foundation's estimate of \$39.60 per hour is similar to the estimates contained in *Costly Returns: The Burdens of the U.S. Tax System*, by James L. Payne, Institute for Contemporary Studies, San Francisco, 1993. Because many individuals who use return preparers do not use preparers at the large national accounting firms, it is not clear that a national accounting firm's hourly rate is appropriate for use in this context.

¹⁶⁹ The estimate may be upward biased because individuals whose value of time is greater than the cost of using a tax professional will generally use tax professionals, while individuals whose value of time is less than that of the tax professional will generally find it too expensive to use their services, and prepare the returns themselves. The approach used by the Tax Foundation would be appropriate for those taxpayers who use tax professionals with costs that equal or exceed \$39.60 per hour, but would be inappropriate for the more than one-half of individual tax returns that 1) did not use a tax professional or 2) used a tax professional that was less costly than \$39.60 per hour.

Table 4.--IRS Assistance Provided Individual Income Taxpayers

	Contacts in 1990 (millions)	Contacts in 1999 (millions)
Telephone Assistance	56	111
Walk-in Contacts	7	10
VITA/TCE	3	4

Note: Amounts rounded to nearest million.

Source: *Internal Revenue Service Annual Reports, 1990 and 1999.*

Note the near doubling of the number of taxpayer telephone assistance contacts, the significant increase in the number of taxpayers who used IRS assistance to prepare their returns through Voluntary Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE), and the 40 percent increase in the number of persons walking into an IRS office for assistance from 1990 to 1999. If these increases in taxpayer access to IRS assistance occurred because IRS assistance was more readily available in 1999 than in 1990, then assuming that most taxpayers receive useful information as a result of their contact with the IRS that was more easily obtained than if IRS assistance had not been sought, taxpayer burdens have been lessened relative to 1990 from what they would have been otherwise. In recent years, the IRS has made a concerted effort to increase the amount of taxpayer assistance made available. However, if the increase in IRS assistance provided was concomitant with an increased demand for assistance, then relative to 1990, taxpayer burdens may have increased. This may be especially true if changes in the tax law since 1990 have left taxpayers more uncertain as to their tax situation. These data alone do not provide a definitive answer as to whether taxpayer demands for assistance have increased, whether IRS abilities to provide assistance have increased, or some combination of both has occurred.

D. Effect of Complexity on Perceived Fairness of the Federal Tax System

Complexity in the tax laws obscures the actual tax base and creates uncertainty that may reduce taxpayer perceptions of fairness in the Federal tax system in several ways. First, ambiguity in the tax laws can result in disparate treatment of similarly situated taxpayers and can lead individual taxpayers to believe that they bear a disproportionate tax burden. Second, taxpayers may believe that complexity creates opportunities for manipulation of the tax laws by other taxpayers, and confers an advantage for taxpayers who are willing and able to obtain professional advice on reducing their tax liabilities. Third, taxpayers may become disillusioned with tax policy that appears to be inconsistent because of the uncertainty that emanates from complex tax laws. In addition to causing inadvertent noncompliance, complex and confusing tax laws can instill cynicism among taxpayers, which ultimately can lead to intentional noncompliance.

E. Effect of Complexity on Tax Administration

Complexity in the Federal tax system can adversely affect not only the ability and willingness of taxpayers to comply with the tax laws, but also can affect the ability of the IRS and its employees to properly administer the tax laws. Complex tax laws can be difficult for the IRS to explain to taxpayers in a concise and understandable manner in forms, instructions, publications, and other guidance. Even with an increasing reliance on return preparation computer software by taxpayers and tax return preparers, complex tax laws can increase the administrative burden of identifying and correcting computational mistakes made by taxpayers. As a result, the need to administer complex tax laws can increase the need for larger IRS budgets and higher IRS personnel levels than would otherwise be required with less complexity in the tax laws.

Complexity in the tax laws also can make it difficult for the IRS to adequately train its employees and hire new employees with the necessary skill levels, thus inhibiting the quality of service that IRS employees can provide to taxpayers. In other words, IRS employees cannot explain complex tax laws to taxpayers if they themselves do not understand the laws. The IRS provides various channels for taxpayers to obtain technical assistance in the application of the tax laws, including call sites that assist taxpayers who telephone the IRS with tax law questions and the Electronic Tax Law Assistance program that enables taxpayers to obtain answers from the IRS to tax law questions via electronic mail.¹⁷⁰

With regard to the call sites, IRS data indicates that taxpayers received accurate tax law information 73.8 percent of the time for the 1999 filing season and 71.9 percent of the time for the 2000 filing season, against IRS goals of 85 and 80 percent for the 1999 and 2000 filing seasons, respectively.¹⁷¹ With regard to the Electronic Tax Law Assistance program, IRS data indicates that the IRS correctly responded to electronic submissions 76 percent of the time between January and April of the 2000 filing season, against an IRS goal of 79 percent for all of fiscal year 2000.¹⁷²

¹⁷⁰ Other ways in which taxpayers can obtain assistance from the IRS in complying with the tax laws include walk-in sites where taxpayers can get answers to questions, IRS-sponsored volunteer organizations that provide assistance to eligible taxpayers, and various outlets through which taxpayers can receive tax forms and publications.

¹⁷¹ General Accounting Office, *Tax Administration: Assessment of IRS' 2000 Filing Season* (GAO-01-158), Dec. 22, 2000, 10-14.

¹⁷² *Id.* at 20-21. Between March and June 2000, the Treasury Inspector General for Tax Administration conducted a test in which it electronically submitted 50 questions to ETLA relating to tax law issues encountered by small business and self-employed taxpayers, and found that the IRS correctly responded to 54 percent of the questions. Treasury Inspector General for Tax Administration, *Management Advisory Report: Comparison of Responses to Small Business/Self-Employed Taxpayer Questions from the Electronic Tax Law Assistance Program and Other Internet Tax Law Services* (2000-30-126), Sept. 21, 2000. The report states that the results are not statistically valid because of the limited number of submitted questions, but that

Several factors may account for the tax law accuracy rates of the IRS call sites and the Electronic Tax Law Assistance program. Nevertheless, the actual and targeted accuracy rates both suggest that the complexity of the tax system fundamentally impedes tax administration by the IRS, including efforts by the IRS to provide taxpayers with accurate information concerning the tax laws.

“we believe our sample of 50 questions is sufficient to provide insight into the service the IRS provided to Small Business/Self-Employed Taxpayers.” The report states that the questions also were submitted to three commercial Internet sites that offer free tax advice. These sites provided correct answers 47 percent of the time.

IV. EFFORTS OF FOREIGN COUNTRIES TO SIMPLIFY THEIR TAX LAWS

The Joint Committee staff asked the Congressional Research Service to review the efforts of foreign countries to simplify their tax laws. The Congressional Research Service reported back with findings and documents relating to tax simplification efforts in Australia, Indonesia, Iran, Japan, New Zealand, the Russian Federation, Sweden, and the United Kingdom. The findings and documents were prepared by the Law Library of the Library of Congress. The Law Library summarized the approaches taken by these countries and assessed the effectiveness of their simplification efforts.¹⁷³

Tax simplification in these countries was (and is being) pursued for different reasons and in different ways. Indonesia, Iran, Japan, and the Russian Federation sought simplification largely through substantive tax reform. By contrast, Australia, New Zealand, and the United Kingdom undertook simplification to make the tax laws easier to understand, not primarily to change underlying tax policy. Sweden's simplification efforts were directed at easing administration and the filing of tax returns.

The countries sampled by the Congressional Research Service not only represent diverse legal systems, but the reasons for simplification and the relative condition of the tax laws in each country are distinct. Accordingly, although the experience of simplification efforts in the countries sampled offers anecdotal insights, the direct relevance of such experiences to the simplification of U.S. law is not always clear. With that caveat, a summary of the Congressional Research Service's findings follows.

¹⁷³ The summaries provided by the Law Library of the Library of Congress are attached as part of Appendix D to this study and are dated August and September 2000. For another perspective on approaches to simplification both as a matter of style and substantive reform, the Harvard University International Tax Program sponsored a project of drafting a tax code for developing countries. The Basic World Tax Code and Commentary adopted a drafting style that "emphasizes clarity of organization, consistency and precision of expression, and economy of words" and was intended in part as a guide to developing countries in their efforts to improve efficiency and fairness in revenue raising. See Hussey & Lubick, *Basic World Tax Code and Commentary* (Tax Analysts 1996).

A. Simplification by Substantive Tax Reform

Indonesia

Upon obtaining independence from the Dutch in 1949, Indonesia inherited an outdated system of taxation. Thirty-five years later, the 1984 Income Tax Law attempted to simplify and reform the system by pursuing the goals of increased revenue, distribution of income and efficiency. The reform efforts were undertaken with the understanding that no part of the old system had to be retained.

The 1984 Income Tax Law made many substantive reforms. It defined “tax subject” to include both individuals and businesses. It applied the same rate of tax to most forms of income, including wages, salaries, honoraria, interest, dividends, royalties, net profits and capital gains. (Prior to the change, such different kinds of income were subject to different rates of tax.) The Tax Law provided that all gross income would be consolidated into a single tax return, instead of several. It reduced tax brackets to three and reduced the top bracket from 50 percent to 35 percent. It limited withholding of income tax to wages, salaries, interest, dividends and royalties, instead of all forms of income. Other changes included simplification of the rules on depreciation, the fringe benefit deduction (and the corresponding exclusion from income) and the elimination of certain tax credits. Finally, the Act changed the audit system to a random and selective system of audit instead of mandatory audit of all tax returns.

The Indonesian reform effort appears to have been largely successful. The first few years following the reforms showed increased revenues and improved administration, which has continued. However, more recent years have shown huge amounts of uncollected taxes and the introduction of loopholes that have begun to erode the tax system.

Iran

Post-revolutionary Iran sought to simplify and improve its tax system in 1988 in part by reducing the number of elements to be considered in the assessment of tax on business from sixteen to six and by permitting the payment of taxes in installments over three years. The new law also aimed to increase compliance by rewarding certain taxpayers who correctly kept required books and properly paid their taxes over three years with a nine percent credit over such period. In addition, the law erased 80 percent of assessed penalties if taxpayers reached settlement with the authorities and paid their taxes.

Data on the success of the law was not available.

Japan

After World War II, at the initiation of the United States, Japan substantially reformed its tax system by adopting a global income tax with progressive rates and a self-assessment system.

There are two notable continuing features of Japan’s early post-war system. First, the tax law requires withholding of tax by those who pay wages, salaries, interest and other income specified by law. Such extensive withholding advances simplification and keeps the government’s administrative costs low. Second, a taxpayer who agrees to keep account books

and records in a manner specified by the authorities can file a so-called “Blue Return.” With a Blue Return, as long as errors cannot be found in the books and records, the tax authorities may not reassess the taxpayer.

Following the U.S. tax reform of 1986, Japan too looked to reform its own system. The 1988 reforms reduced the number of tax brackets from twelve to five, reduced tax rates (including reducing the top rate from 60 percent to 50 percent), increased standard personal allowances and exemptions, and reduced the corporate income tax rate. Consistent with the principles of the 1988 law, a 1994 tax law made further rate changes, mainly for the benefit of the middle class.

Although the reforms successfully reduced the tax burden on the middle class, and the withholding system continues to promote efficiency in administration, critics of the reforms urge a further flattening of the tax rates and inclusion of investment income in the definition of ordinary income.

Russian Federation

Since the fall of the Soviet Union, Russia’s tax system has been characterized as corrupt, complicated and rife with evasion and under-collection. Pursuant to a 1991 law, taxpayers were required to register with local tax agencies, keep detailed records of revenues and expenses, submit burdensome paperwork and meet other legal requirements.

In 1998 and 2000, Russia adopted a new tax code that makes significant changes to the tax system. New rules include a 13 percent flat income tax for individuals instead of a tax based on a sliding 12 percent-30 percent scale. The new code provides for exclusions from income for pensions, compensation payments, grants and targeted social assistance. The new code imposes a rate of 35 percent on certain income, e.g. gambling income, insurance payments and interest on bank deposits with certain specified interest rates. One major reform provides that income tax is no longer based on the type of taxpayer (e.g., employee, collective farmer, entrepreneur) or on the form of ownership or source of the object of taxation. The new code preserves progressive tax rates on luxury items and property in an effort to bolster revenue and achieve equity. On the business side, the code provides a flat rate of 30 percent on profits for all businesses, simplifies the rules for deductions of business expenses, and provides that general accounting procedures are to be used in determining profits and expenses for tax purposes. The new code reduces the four percent payroll tax on business revenue to one percent of the business’s profit.

Because the enactment of the new Russian tax code was so recent, it is too early to assess the success of the reform effort.

B. Simplification by Administrative Reform: Rewriting the Tax Law and/or Easing Taxpayer Compliance

Australia

Prior to 1997, the Australian income tax for individuals and companies was governed by a 1936 Act that had become complex and confusing. A tax law that was 126 pages in length in 1936 had expanded to nearly 6,000 pages. One reason for the length resulted from the practice of adding new material to the legislation, not to the regulations; another was that strict judicial interpretation of the letter of the law, in favor of interpreting the law consistent with its purpose, led drafters to include yet additional detail to legislation. Whatever the reason, the length and complexity of the law meant that it could not be effectively administered or complied with.

The unworkability of the tax law persuaded lawmakers to undertake a significant reform effort. In 1993, the Tax Law Improvement Project was established to redraft the income tax laws to make them easier to read and understand. The Tax Law Improvement Project consisted of about 50 professionals and largely completed its work in 1997 with passage of the Income Tax Assessment Act.

The Tax Law Improvement Project set out literally to rewrite the tax law by using “plain” English, for example, by consistently using the active voice and present tense and even by addressing the taxpayer as “you” in the legislation. The Tax Law Improvement Project’s rewrite revised specific sections mindful of their likely audience. Remote and technical provisions generally would be read by sophisticated readers and therefore did not require as significant a rewrite. The Tax Law Improvement Project also improved cross referencing, included explanatory diagrams and other graphic materials in the legislation, added new sections to the law that list the law’s core concepts, provided general statements of key principles at the beginning of sections, made defined terms easier to locate, used more examples, and made the typeface easier to read. The rewrite also restructured the 1936 Act, dividing it into chapters that moved from general principles to particular situations. The goal was *not* to change underlying tax policy but to create a better more “user-friendly” document. The foreseen benefits were to reduce compliance and administrative costs, provide better resources for understanding the law, improve voluntary compliance, make the law fairer, and improve and clarify the debate about tax policy.

No comprehensive assessment of the effectiveness of the Tax Law Improvement Project’s efforts is available. Although the rewrite did shrink the size of the tax law, it still runs into the thousands of pages. Isolated criticisms include that the reform should have included a review of tax policy, that changes in wording will result in unintended but unavoidable changes in meaning, and that most users of the tax law are in fact tax professionals and that the rewrite is inaccurate and patronizing. Despite such criticisms, it seems likely that at a minimum the new law will reduce compliance and administrative costs and improve taxpayer compliance.

New Zealand

Substantive and administrative tax simplification consistently has been an issue for successive New Zealand governments. Although no major substantive reform effort has been passed, in 1998 and 1994 New Zealand enacted significant administrative changes.

The 1998 effort changed the tax collections requirements to eliminate the need for approximately 1.2 million wage and salary earners to file an annual tax return. Salaried employees now give employers information that enables employers to deduct the appropriate amount of tax in most cases, obviating the need for the taxpayer to file a return (though if a taxpayer overpays, the taxpayer can file for a refund). Employers have complained of the costs of this new system.

The 1994 reforms divided existing tax legislation into three separate statutes -- the Income Tax Act (substantive provisions), the Tax Administration Act (collections) and the Taxation Review Authorities Act (appeals and rulings). The Income Tax Act reordered existing law to reflect the process of completing a tax return, with a numeric sequence following the steps of filing returns. The reordering also intended to improve cross-referencing. In addition, the Income Tax Act began a project to rewrite the tax laws, similar to the Australian effort. Principles to guide the rewrite include the adoption of a "plain language" style, drafting to clarify the scheme, purpose and policy intent of each provision, and use of a consistent format throughout. The audience for the rewrite is tax professionals.

The reform efforts have been largely non-controversial. However, the tax rewrite project has not yet made much progress. Two Parts of the Income Tax Act have been rewritten but one is only two pages and the other is a 25 page legal summary. Progress on rewriting other Parts is slow.

Sweden

In general, under the Swedish system, individuals and entities are required to file a tax return only if income is greater than the standard deduction. For those that have to file, there are two general kinds of returns: the special return and the simplified return. Most taxpayers use the simplified return (there is a special simplified return for business). Partnerships and closely held corporations file the special return.

The simplified return is the product of a 1995 change to the law. With a simplified return, employers, banks, insurance companies, credit institutes and the like are obliged to file "income statements" with the authorities and the taxpayer. The income statements contain information about salaries, pensions, interest, dividends, capital gain and other forms of income. They also contain information about some deductible expenses, such as premiums paid for pension insurance. The tax authorities use the data on the income statements to complete a tax form for the taxpayer including a calculation of tax owed. The authorities send the completed form to the taxpayer, who checks its accuracy. If the form is accurate, the taxpayer signs the form and returns it to the authorities with any payment to follow at a later date. If there are mistakes or incomplete information (e.g., additional deductions), the taxpayer corrects the form

and adds any necessary information. Typically, 60 percent-65 percent of all simplified forms are returned to the tax authorities without any change.

The simplified return has received a very positive response from taxpayers, many of whom find that the pre-completed forms contain reliable information and that they are able to check and complete the form without professional help. The authorities generally appear to like the form because it lowers their administrative costs and results in a higher quality of taxation. However, there is more time pressure on personnel to examine returns and a need to educate personnel about the form.

United Kingdom

A provision of the 1995 Finance Act required the United Kingdom tax authorities (“Inland Revenue”) to prepare a report on tax simplification in the United Kingdom. The report recommended rewriting the tax laws, which consist of over 6,000 pages. Accordingly, in 1996 Inland Revenue embarked on a project to simplify its tax law through a major rewrite and restructuring of existing provisions. The goal of the ongoing project is to make the tax law clearer and easier to use without sacrificing its general effect. Since 1996, Inland Revenue has published a number of reports about the project but progress on the rewrite has been slow.

Like the Australian project, the revision will be in “plain” or colloquial language and will utilize short sentences, active voice, the positive in preference to the negative, and will avoid archaic vocabulary and jargon. Examples include: regular use of the possessive, for instance, rather than writing “of the taxpayer,” instead write “the taxpayer’s”; and to address the taxpayer as “you” in the legislation. The revision aims to restructure the law into a more logical format, with seven main acts likely -- Income Tax, Corporation Tax, Capital Allowances, Capital Gains, Stamp Duties, Inheritance Tax and Management. Existing specific provisions will be reorganized to fit within one of these seven categories and similar rules will be located together. In the rewrite, better use will be made of cross-referencing, sometimes including explanations of the cross-reference. The rewrite also will likely contain general explanatory materials, for example, overviews of each Part of the legislation and commentary on separate clauses. Such explanations will be intended to help the reader understand the general intent of the law.

There continues to be considerable debate about the extent to which the rewrite should use “purposive drafting.” Purposive drafting techniques result in shorter law because broad guidelines and a statement of purpose are preferred to detailed examples. But purposive drafting would likely lead to a loss of certainty and to dependence on courts or increased reliance on administrative rulings, resulting in a loss of democratic accountability and an expanded interpretive role for Inland Revenue. Inland Revenue also recognizes the inherent problem of inadvertent policy change through rewrite. In part to counter this issue, the rewrite project has proceeded carefully, in close consultation with professionals and taxpayers. Consultation with taxpayers and the professions also is seen as crucial to ensure the legitimacy of the rewrite project in the long term; however, it also slows the pace of progress.

Inland Revenue studied the Australian and New Zealand experiences and concluded that revision, although important, would not alone secure the full benefits of simplification. Real improvements to clarity and accessibility would require minor changes in underlying substance,

for example by rationalizing and modernizing definitions and deleting redundant or outdated material. Needed changes to policy, however, would not be crystallized until the rewrite was underway and would require approval of Parliament.

In a 1999 report on the progress of the project, Inland Revenue concluded that, although the public was supportive and drafts of revisions of sections had been praised, the task of rewriting the law with full consultation was more difficult and time consuming than originally thought. Still, the potential benefits of clearer tax law and the spillover effects of introducing modern drafting techniques to finance and other legislation are considered to be great. The project proposes to introduce a first rewritten Income Tax Bill to Parliament in November 2002.

APPENDIX A.--
Academic Advisors to Joint Committee on Taxation
For Study of Overall State of the Federal Tax System

NAME	INSTITUTION
1. William D. Andrews	Harvard Law School
2. Reuven Avi-Yonah	University of Michigan School of Law
3. Ronald W. Blasi	Georgia State University College of Law
4. Evelyn Brody	Chicago-Kent College of Law
5. Fred B. Brown	University of Baltimore School of Law
6. Karen Burke	University of Miami School of Law
7. Dennis A. Calfee	University of Florida Levin College of Law
8. Edwin S. Cohen	University of Virginia School of Law
9. Stephen B. Cohen	Georgetown University Law Center
10. Noel B. Cunningham	New York University School of Law
11. Patricia E. Dilley	University of Florida Levin College of Law
12. Jonathan Barry Forman	University of Oklahoma College of Law
13. Deborah A. Geier	Cleveland-Marshall College of Law
14. Martin D. Ginsburg	Georgetown University Law Center
15. Michael J. Graetz	Yale Law School
16. Daniel Halperin	Harvard Law School
17. Christopher H. Hanna	Southern Methodist University School of Law
18. Frances R. Hill	University of Miami School of Law
19. Calvin H. Johnson	University of Texas School of Law
20. Michael S. Knoll	University of Pennsylvania Law School
21. Jerome Kurtz	New York University School of Law
22. Lawrence A. Lokken	University of Florida Levin College of Law
23. Paul McDaniel	New York University School of Law
24. Michael Mulrone	Villanova University School of Law
25. Annette Nellen	San Jose State University
26. Michael A. Oberst	University of Florida Levin College of Law
27. Nina E. Olson	Formerly, Community Tax Law Project ¹⁷⁴
28. Ronald A. Pearlman	Georgetown University Law Center
29. Robert J. Peroni	George Washington University Law School
30. Denise D.J. Roy	William Mitchell College of Law
31. Deborah H. Schenk	New York University School of Law
32. David Shakow	Formerly, University of Pennsylvania Law School
33. Daniel N. Shaviro	New York University School of Law
34. Joel B. Slemrod	University of Michigan School of Business Admin.
35. Janet R. Spragens	American University Washington College of Law
36. Norman Stein	University of Alabama School of Law
37. David A. Weisbach	University of Chicago Law School
38. Bernard Wolfman	Harvard Law School
39. George K. Yin	University of Virginia School of Law

¹⁷⁴ During the Joint Committee study, Ms. Olson was named the National Taxpayer Advocate.

APPENDIX B.--
Tax Policy Advisors to Joint Committee on Taxation
For Study of Overall State of the Federal Tax System

NAME	TAX POLICY POSITION	CURRENT AFFILIATION
1. Donald C. Alexander	Commissioner of Internal Revenue	Akin, Gump, Strauss, Hauer, & Feld
2. David H. Brockway	Chief of Staff, Joint Committee on Taxation	KPMG LLP
3. Mortimer M. Caplin	Commissioner of Internal Revenue	Caplin and Drysdale, Chartered
4. John E. Chapoton	Assistant Secretary of Treasury for Tax Policy	Vinson and Elkins, LLP
5. O. Donaldson Chapoton	Assistant Secretary of Treasury for Tax Policy	Baker & Botts
6. N. Jerald Cohen	Chief Counsel, Internal Revenue Service	Sutherland, Asbill & Brennan
7. Sheldon S. Cohen	Chief Counsel, Internal Revenue Service and Commissioner of Internal Revenue	Morgan, Lewis & Bockius, LLP
8. Lawrence B. Gibbs	Commissioner of Internal Revenue	Miller & Chevalier, Chartered
9. Kenneth W. Gideon	Chief Counsel, Internal Revenue Service and Assistant Secretary of Treasury for Tax Policy	Skadden, Arps, Slate, Meagher & Flom LLP
10. David G. Glickman	Assistant Secretary of Treasury for Tax Policy	Baker & McKenzie
11. Fred T. Goldberg, Jr.	Chief Counsel, Internal Revenue Service, Assistant Secretary of Treasury for Tax Policy and Commissioner of Internal Revenue	Skadden, Arps, Slate, Meagher & Flom, LLP
12. Harry L. Gutman	Chief of Staff, Joint Committee on Taxation	KPMG LLP
13. Frederick W. Hickman	Assistant Secretary of Treasury for Tax Policy	Retired
14. Kenneth J. Kies	Chief of Staff, Joint Committee on Taxation	Pricewaterhouse Coopers, LLP
15. Jerome Kurtz	Commissioner of Internal Revenue	New York University School of Law
16. Donald C. Lubick	Assistant Secretary of Treasury for Tax Policy	Retired
17. Mark L. McConaghy	Chief of Staff, Joint Committee on Taxation	Pricewaterhouse Coopers, LLP
18. J. Roger Mentz	Assistant Secretary of Treasury for Tax Policy	White & Case, LLP
19. William F. Nelson	Chief Counsel, Internal Revenue Service	McKee, Nelson, Ernst & Young
20. Ronald A. Pearlman	Assistant Secretary of Treasury for Tax Policy and Chief of Staff, Joint Committee on Taxation	Georgetown University Law Center
21. Shirley D. Peterson	Commissioner of Internal Revenue	Retired
22. Margaret M. Richardson	Commissioner of Internal Revenue	Ernst & Young, LLP
23. Leslie B. Samuels	Assistant Secretary of Treasury for Tax Policy	Cleary, Gottlieb, Steen & Hamilton
24. Bernard M. Shapiro	Chief of Staff, Joint Committee on Taxation	Pricewaterhouse Coopers, LLP
25. Abraham N.M. Shashy	Chief Counsel, Internal Revenue Service	KPMG LLP

APPENDIX C.--

Materials Provided by the General Accounting Office
To the Joint Committee in Connection with the
Study of the Overall State of the Federal Tax System



G A O

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

April 6, 2001

The Honorable William M. Thomas
Chairman
The Honorable Charles E. Grassley
Vice Chairman
Joint Committee on Taxation

Subject: Information Related to the Scope and Complexity of the Federal Tax System

The Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 requires the Joint Committee on Taxation (JCT) to report to Congress on the overall state of the federal tax system and on proposals to simplify it. The requirement for this study stems from a recommendation made in 1997 by the National Commission on Restructuring the IRS. The Commission concluded that the tax law should be simplified. The Commission reported a connection between the complexity of the Internal Revenue Code (IRC) and the difficulty of administering it and taxpayer frustration with the tax system. It reported that such complexity can lead to inadvertent noncompliance, increased costs to taxpayers, and complicated tax collection.

In a June 29, 2000 letter, we were asked to help the staff of the JCT in its study of the overall state of the federal tax system and proposals to simplify it. As agreed with the JCT, we obtained information on

1. the scope and size of the IRC, the number of congressionally-mandated studies of the tax system, and the amount of tax guidance and regulations issued by IRS;
2. the number and scope of IRS forms, schedules, publications, and worksheets;
3. the number of tax returns filed and people claimed on these returns, by various characteristics for selected years;
4. the amount of assistance provided to taxpayers by IRS, return preparers, and computerized software for selected years;
5. the number and types of errors found by IRS when processing or auditing tax returns, by various return characteristics for selected years;
6. the number and types of taxpayer disputes with IRS in the form of appeals and litigation in selected years; and finally,
7. statistics associated with specific tax issues in the IRC.

These 7 areas relate to a list of 27 questions/topics that JCT staff provided us. During several subsequent meetings, JCT staff adjusted and clarified some of the questions and asked that we provide the answers in several installments by September 30, 2000, to help them draft the Committee's required report. We are issuing this letter to compile the information we had provided and to make it available to other interested parties. The questions, together with the relevant information that we obtained, form the substance of this correspondence and are included in the enclosures.

To summarize:

- The IRC had about 700 provisions that affected individuals and over 1,500 provisions that affected businesses. The IRC also had about 1.4 million words as of May 2000. As of June 2000, the regulations implementing the IRC included close to 20,000 pages and about 8.6 million words. (See enclosure I for more information.)
- For tax year 1999, the tax system included 649 forms, schedules, and separate instructions; about 160 worksheets; and about 340 publications with guidance on specific requirements of the tax system. The forms and schedules included about 16,100 lines and the publications included about 13,400 pages. (See enclosure II for more information.)
- The number of individuals listed as filers of tax returns rose from about 152 million in 1990 to about 160 million in 1997. In the same period, the number of people claimed on federal income tax returns rose from about 228 million to 241 million. (See enclosure III for more information.)
- Taxpayers contacted IRS for assistance on about 117 million occasions in 1999, up from about 105 million contacts in 1996. Taxpayers also have been relying more on tax return preparers and tax return software to help prepare tax returns. (See enclosure IV for more information.)
- In recent years, the most common errors IRS found when processing individual income tax returns involved the Earned Income Tax Credit and taxpayer identification numbers. Similarly, IRS found errors (after returns were processed) during audits of the returns. For individuals, errors varied by income levels—errors in determining gross income for lower income levels and errors in passing through tax items to shareholders for higher income levels. (See enclosure V for more information.)
- IRS' recent data on the most frequent types of tax issues that taxpayers appealed were limited to large corporations, with the most frequent issue involving the deduction of business expenses. The IRS data on issues litigated were limited to tax court cases involving individual taxpayers, with the most frequent issue in 1999 dealing with penalties. (See enclosure VI for more information.)
- IRS had no data to answer a question about incentive stock options. IRS had limited data on the “top-heavy” requirements for pension plans, and we developed some relevant information for a separate report. (See enclosure VII for more information.)

Our scope and objectives were limited to answering the 27 questions posed by the Committee and did not include an overall assessment of the tax system's scope and complexity. While our responses quantify certain aspects of the tax system, such as the number of words and sections in the IRC, they do not address all the factors that might contribute to complexity or attempt to weigh the contributions of any factors. In addition, better understanding the relationship of the data to tax system complexity may often require additional analyses, including adjusting trends for other factors such as growth in the population or in the number of businesses. In addition, time did not permit us to verify the accuracy of the databases used in our tabulations and analyses, although we did attempt to obtain the best data

available.¹ The enclosures discuss our data limitations in more detail. In answering the 27 questions, we

- interviewed officials from IRS, Department of the Treasury, Securities and Exchange Commission, Library of Congress, and National Archives and Records Administration;
- reviewed our prior tax reports as well as reports and studies from IRS, Treasury, and the National Commission on Restructuring the IRS;
- reviewed and categorized the contents of the IRC and summarized other written data provided by IRS, Treasury, and the House Ways and Means Committee; and
- analyzed computerized data extracted from IRS' Statistics of Income database and electronic versions of the IRC and IRS regulations published by Tax Analysts.

We did our work between June 2000 and October 2000 in accordance with generally accepted government auditing standards. On March 29, 2001, the Commissioner of IRS provided written comments on our draft correspondence (see enclosure VIII) that suggested two specific changes related to taxpayer assistance data. We changed the letter accordingly. We also received oral comments from the Department of the Treasury. Treasury's comments addressed the clarity or accuracy of certain passages and suggested adding some information to provide context. We made changes, where appropriate, based on these comments.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this correspondence until 30 days from the above date. At that time, we will send copies to the Honorable Paul H. O'Neill, Secretary of the Treasury, the Honorable Charles O. Rossotti, Commissioner of IRS, the Honorable Mitchell E. Daniels, Jr., Director, Office of Management and Budget, and interested congressional committees. The letter is also available on GAO's home page at <http://www.gao.gov>. If you have any questions about this correspondence, you may contact Tom Short or me on (202) 512-9110. Key contributors to this letter are listed in enclosure IX.

Sincerely yours,



Michael Brostek
Director, Tax Issues

¹Also, we frequently relied on IRS' Statistics of Income (SOI) database as noted in the enclosures. The SOI data in this report, except for data on large corporations, are based on probability samples of taxpayer returns and thus subject to some imprecision due to sampling variability.

**IRC, IRS Guidance and Regulations, and Studies of
the Tax System**

Question 1: How many provisions (sections) are in the current IRC, categorized by those that apply to individuals, businesses, and other entities?

In order to categorize and count every IRC section, we agreed with the Joint Committee on Taxation (JCT) to use three main categories: (1) individuals; (2) businesses, including small businesses and self-employed individuals as well as larger businesses; and (3) tax-exempt organizations, employee plans and benefits, and government entities (see table I.1). As agreed with JCT staff, we separately counted those sections that apply to small business and self-employed taxpayers. Many of the small business and self-employed sections were identified using computer-based research and are subject to limitations, such as the reliability of the search terms used in the research. As a consequence, table I.1 may not encompass all of the applicable provisions in those categories.

We placed a provision in more than one category when applicable. For example, we counted IRC provisions related to estate and gift taxes under our business category. We included those provisions in the business category since they evince some business characteristics (e.g., small business owners’ transfer of their businesses to others would be affected by these provisions). However, we also counted these provisions in our individual category since these provisions also clearly apply to, and are of concern to, individual taxpayers. Similarly, those provisions that relate to individuals but that involve international tax issues were counted in both our individual and business categories for the same reasons.

We also included those provisions related to certain types of investments in more than one category. For example, we included some of the provisions related to Regulated Investment Companies in both the individual and business categories because their shareholders are often individuals whose tax treatment would also be determined by those provisions. Similarly, we included some of the provisions related to corporations in both the individual and business categories because of the tax treatment of the shareholders. As a result of our approach, a number of provisions were included in both the individual and business categories.

Our categorization of the IRC was inherently judgmental and may not necessarily conform to the judgment of others. Further, to our knowledge, IRS has not categorized the IRC by its four operating divisions. Our categorizations are not intended to suggest that a specific IRS division will or should address matters arising under the categories we used for this letter.

Table I.1: Number of IRC Sections, by Category

Category	Number of sections ^a
Individuals	693
Businesses (including small business and self-employed)	1501
Small business	13
Self-employed	11
Tax-exempt, employee plans, government entities	445
Other ^b	53

^a Certain IRC sections are associated with more than one category

^b Includes IRC sections that did not seem to fall within any of the above categories.

Source: GAO analysis of the IRC.

Enclosure I

Question 2: What is the length of the IRC based on number of words?

The IRC, title 26, contained 1,395,028 words as of May 2000. For the purpose of this count, a word is defined as any string of characters or digits separated from others by a space. The count is based on an electronic version of the IRC published by Tax Analysts. The count does not include notes and cross-references added by the publisher.

Question 3: How many tax-related studies have been mandated by Congress of the Department of the Treasury and IRS since 1986? List the studies.

The Department of the Treasury and IRS have not systematically tracked the number of tax-related studies mandated of them by Congress. To respond to this question, Treasury officials reviewed their available records and found 87 tax-related studies that Treasury or IRS was required to deliver to Congress from January 1, 1986, through March 21, 2001. The Department of the Treasury listing of these studies is shown in figure I.1. Treasury officials emphasized that the list is a draft document.

Figure I.1: Draft Department of the Treasury List of Tax-Related Studies Mandated Since 1986

<i>Public Law #Topic Date Due Mandate Text</i>	<i>Congressional Requirement</i>	<i>Study Citations and Recent Related SOI Publications</i>
PL 106-170	<u>Taxable REITs</u> Section 547, Ticket to Work and Work Incentives Improvement Act of 1999	
	SEC. 547. STUDY RELATING TO TAXABLE REIT SUBSIDIARIES. The Secretary of the Treasury shall conduct a study to determine how many taxable REIT subsidiaries are in existence and the aggregate amount of taxes paid by such subsidiaries. The Secretary shall submit a report to the Congress describing the results of such study.	
PL 105-277	<u>Depreciation</u> Section 2022, Tax and Trade Relief Extension Act of 1998	"Report to the Congress on Depreciation Recovery Periods and Methods" Dept. of Treasury, July 2000. 132pp.
09/31/2000	SEC. 2022 DEPRECIATION STUDY. The Secretary of the Treasury (or the Secretary's delegate)--(1) shall conduct a comprehensive study of the recovery periods and depreciation methods under section 168 of the Internal Revenue Code of 1986, and (2) not later than March 31, 2000, shall submit the results of such study, together with recommendations for determining such periods and methods in a more rational manner, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.	
PL 105-219	<u>Credit Union Taxation</u> Sec. 401 Credit Union Membership Access Act	"Comparing Credit Unions with Other Depository Institutions." United States Department of the Treasury, January 2001, 66pp. http://www.treas.gov/press/releases/docs/CURReg.doc
08/07/1999	SEC. 401. STUDY AND REPORT ON DIFFERING REGULATORY TREATMENT. (a) STUDY- The Secretary shall conduct a study of-- (1) the differences between credit unions and other federally insured financial institutions, including regulatory differences with respect to regulations enforced by the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Administration; and (2) the potential effects of the application of Federal laws, including Federal tax laws, on credit unions in the same manner as those laws are applied to other federally insured financial institutions. (b) REPORT- Not later than 1 year after the date of enactment of this Act, the Secretary shall submit a report to the Congress on the results of the study	

Enclosure I

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 105-219	<u>Small Bank Taxation</u>	Sec. 403 Credit Union Membership Access Act	"Comparing Credit Unions with Other Depository Institutions." United States Department of the Treasury, January 2001. 66pp. http://www.treas.gov/press/releases/docs/CURReg.doc
08/07/1999	SEC. 403. TREASURY REPORT ON REDUCED TAXATION AND VIABILITY OF SMALL BANKS. The Secretary shall, not later than 1 year after the date of enactment of this Act, submit a report to the Congress containing-- (1) recommendations for such legislative and administrative action as the Secretary deems appropriate, that would reduce and simplify the tax burden for-- (A) insured depository institutions having less than \$1,000,000,000 in assets; and (B) banks having total assets of not less than \$1,000,000,000 nor more than \$10,000,000,000; and (2) any other recommendations that the Secretary deems appropriate that would preserve the viability and growth of small banking institutions in the United States.		
PL 105-206	<u>Administration of penalties and interest</u>	Sec. 3801, IRS. Restructuring and Reform Act	"Report to The Congress on Penalty and Interest Provisions of the Internal Revenue Code", Dept. of Treasury, Office of Tax Policy, October 1999. 161pp.
07/22/1999	SEC. 3801. ADMINISTRATION OF PENALTIES AND INTEREST. The Joint Committee on Taxation and the Secretary of the Treasury shall each conduct a separate study-- (1) reviewing the administration and implementation by the Internal Revenue Service of the interest and penalty provisions of the Internal Revenue Code of 1986 (including the penalty reform provisions of the Omnibus Budget Reconciliation Act of 1989); and (2) making any legislative and administrative recommendations the Committee or the Secretary deems appropriate to simplify penalty or interest administration and reduce taxpayer burden. Such studies shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate not later than 1 year after the date of the enactment of this Act.		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 105-206	<u>Confidentiality of tax return information</u>	Sec. 3802, IRS. Restructuring & Reform Act	"Report to the Congress on Scope and Use of Taxpayer Confidentiality and Disclosure Provisions: Volume I Study of General Provisions." Office of Tax Policy, Department of the Treasury, October 2000. 114pp. http://www.treas.gov/taxpolicy/library/confide.pdf
01/22/2000	SEC. 3802. CONFIDENTIALITY OF TAX RETURN INFORMATION.		
	<p>The Joint Committee on Taxation and the Secretary of the Treasury shall each conduct a separate study of the scope and use of provisions regarding taxpayer confidentiality, and shall report the findings of such study, together with such recommendations as the Committee or the Secretary deems appropriate, to the Congress not later than 18 months after the date of the enactment of this Act. Such study shall examine--</p> <p>(1) the present protections for taxpayer privacy;</p> <p>(2) any need for third parties to use tax return information;</p> <p>(3) whether greater levels of voluntary compliance may be achieved by allowing the public to know who is legally required to file tax returns, but does not file tax returns;</p> <p>(4) the interrelationship of the taxpayer confidentiality provisions in the Internal Revenue Code of 1986 with such provisions in other Federal law, including section 552a of title 5, United States Code (commonly known as the "Freedom of Information Act");</p> <p>(5) the impact on taxpayer privacy of the sharing of income tax return information for purposes of enforcement of State and local tax laws other than income tax laws, and including the impact on the taxpayer privacy intended to be protected at the Federal, State, and local levels under Public Law 105-35, the Taxpayer Browsing Protection Act of 1997; and</p> <p>(6) whether the public interest would be served by greater disclosure of information relating to tax exempt organizations described in section 501 of the Internal Revenue Code of 1986.</p>		
PL 105-206		Sec. 2001(d), IRS Restructuring & Reform Act	
06/30/1999			
Every June			
	<u>Electronic filing</u>		
	<p>SEC. 2001. ELECTRONIC FILING OF TAX AND INFORMATION RETURNS. (d) ANNUAL REPORTS- Not later than June 30 of each calendar year after 1998, the Chairperson of the Internal Revenue Service Oversight Board, the Secretary of the Treasury, and the Chairperson of the electronic commerce advisory group established under subsection (b)(2) shall report to the Committees on Ways and Means, Appropriations, Government Reform and Oversight, and Small Business of the House of Representatives and the Committees on Finance, Appropriations, Governmental Affairs, and Small Business of the Senate on--</p> <p>(1) the progress of the Internal Revenue Service in meeting the goal of receiving electronically 80 percent of tax and information returns by 2007;</p> <p>(2) the status of the plan required by subsection (b);</p> <p>(3) the legislative changes necessary to assist the Internal Revenue Service in meeting such goal; and</p> <p>(4) the effects on small businesses and the self-employed of electronically filing tax and information returns.</p>		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 105-206	<u>Due date for certain information reports</u>	Sec. 2002(b)(2), IRS Restructuring & Reform Act
06/30/1999	SEC. 2002. DUE DATE FOR CERTAIN INFORMATION RETURNS. (b) STUDY RELATING TO TIME FOR PROVIDING NOTICE TO RECIPIENTS- (1) IN GENERAL- The Secretary of the Treasury shall conduct a study evaluating the effect of extending the deadline for providing statements to persons with respect to whom information is required to be furnished under subparts B and C of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 (other than section 6051 of such Code) from January 31 to February 15 of the year in which the return to which the statement relates is required to be filed.	
	(2) REPORT- Not later than June 30, 1999, the Secretary of the Treasury shall submit a report on the study under paragraph (1) to the Committee on Ways	
PL 105-206	<u>Noncompliance</u>	Sec. 3803, IRS Restructuring & Reform Act
07/22/1999	SEC. 3803. STUDY OF NONCOMPLIANCE WITH INTERNAL REVENUE LAWS BY TAXPAYERS.	
	Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury and the Commissioner of Internal Revenue shall jointly conduct a study, in consultation with the Joint Committee on Taxation, of the noncompliance with internal revenue laws by taxpayers (including willful noncompliance and noncompliance due to tax law complexity or other factors) and report the findings of such study to Congress.	
PL 105-206	<u>Payments made for detection of underpayments and fraud</u>	Sec. 3804, IRS Restructuring & Reform Act
07/22/1999	SEC. 3804. STUDY OF PAYMENTS MADE FOR DETECTION OF UNDERPAYMENTS AND FRAUD.	
	Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall conduct a study and report to Congress on the use of section 7623 of the Internal Revenue Code of 1986 including--	
	(1) an analysis of the present use of such section and the results of such use; and	
	(2) any legislative or administrative recommendations regarding the provisions of such section and its application.	
PL 105-206	<u>Return-free tax system</u>	Sec. 2004(b), IRS Restructuring & Reform Act
06/30/2000	SEC. 2004. RETURN-FREE TAX SYSTEM.	
Every June through 2007	(a) IN GENERAL- The Secretary of the Treasury or the Secretary's delegate shall develop procedures for the implementation of a return-free tax system under which appropriate individuals would be permitted to comply with the Internal Revenue Code of 1986 without making the return required under section 6012 of such Code for taxable years beginning after 2007.	
	(b) REPORT- Not later than June 30 of each calendar year after 1999, the Secretary shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on--	
	(1) what additional resources the Internal Revenue Service would need to implement such a system;	
	(2) the changes to the Internal Revenue Code of 1986 that could enhance the use of such a system;	
	(3) the procedures developed pursuant to subsection (a); and	
	(4) the number and classes of taxpayers that would be permitted to use the procedures developed pursuant to subsection (a).	

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 105-206	<u>Tax Law Complexity Analysis</u>	Sec. 4022, IRS Restructuring & Reform Act	"Annual Report of the Commissioner of the Internal Revenue Service on Tax Law Complexity." Department of Treasury, Internal Revenue Service, June 5, 2000. 83pp.
03/01/2001	SEC. 4022. TAX LAW COMPLEXITY ANALYSIS. (a) COMMISSIONER STUDY-		
Annually, 3/1	(1) IN GENERAL- The Commissioner of Internal Revenue shall conduct each year after 1998 an analysis of the sources of complexity in administration of the Federal tax laws. Such analysis may include an analysis of-- (A) questions frequently asked by taxpayers with respect to return filing; (B) common errors made by taxpayers in filling out their returns; (C) areas of law which frequently result in disagreements between taxpayers and the Internal Revenue Service; (D) major areas of law in which there is no (or incomplete) published guidance or in which the law is uncertain; (E) areas in which revenue officers make frequent errors interpreting or applying the law; (F) the impact of recent legislation on complexity; and (G) forms supplied by the Internal Revenue Service, including the time it takes for taxpayers to complete and review forms, the number of taxpayers who use each form, and how recent legislation has affected the time it takes to complete and review forms.		
	(2) REPORT- The Commissioner shall not later than March 1 of each year report the results of the analysis conducted under paragraph (1) for the preceding year to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate. The report shall include any recommendations--		
	(A) for reducing the complexity of the administration of Federal tax laws; and (B) for repeal or modification of any provision the Commissioner believes adds undue and unnecessary complexity to the administration of the Federal tax laws.		
PL 105-206	<u>Access to Account Information</u>	Sec. 2005(b), IRS Restructuring & Reform Act	
12/31/2003	SEC. 2005. ACCESS TO ACCOUNT INFORMATION.		
	(a) IN GENERAL- Not later than December 31, 2006, the Secretary of the Treasury or the Secretary's delegate shall develop procedures under which a taxpayer filing returns electronically (and their designees under section 6103(c) of the Internal Revenue Code of 1986) would be able to review the taxpayer's account electronically, but only if all necessary safeguards to ensure the privacy of such account information are in place.		
	(b) REPORT- Not later than December 31, 2003, the Secretary of the Treasury shall report on the progress the Secretary is making on the development of procedures under subsection (a) to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.		
PL 105-061	<u>EITC Compliance Initiative</u>	Treasury and General Governments Appropriation Act for FY 1998	"IRS Tracking Earned Income Tax Credit Appropriation" -- Department of the Treasury, Internal Revenue Service, Quarterly reports beginning in FY 1998 (typically 12 pages). http://www.fin.irs.gov/revanal/eitc_menu.htm
			IRS reports quarterly to the Appropriations committee regarding the level of expenditures under the EITC compliance initiative and the effects on compliance.

Quarterly

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 105-034	<u>Study of feasibility of moving collection point for distilled spirits excise tax</u>	Sec. 909, Taxpayer Relief Act of 1997	"Report to the Congress on Options for Moving the Collection Point for the Distilled Spirits Excise Tax." Department of the Treasury, March 1998. 34pp.
03/31/1998	<p>SEC. 909. STUDY OF FEASIBILITY OF MOVING COLLECTION POINT FOR DISTILLED SPIRITS EXCISE TAX.</p> <p>(a) IN GENERAL- The Secretary of the Treasury or his delegate shall conduct a study of options for changing the event on which the tax imposed by section 5001 of the Internal Revenue Code of 1986 is determined. One such option which shall be studied is determining such tax on removal from registered wholesale warehouses. In studying each such option, such Secretary shall focus on administrative issues including--</p> <ul style="list-style-type: none"> (1) tax compliance, (2) the number of taxpayers required to pay the tax, (3) the types of financial responsibility requirements that might be required, and (4) special requirements regarding segregation of non-tax-paid distilled spirits from other products. <p>Such study shall review the effects of each such option on the Department of the Treasury (including staffing and other demands on budgetary resources) and the change in the period between the time such tax is currently paid and the time such tax would be paid under each such option.</p> <p>(b) REPORT- The report of such study shall be submitted to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives not later than March 31, 1998.</p>	PL 105-034	Sec. 1090, Taxpayer Relief Act of 1997
	<p><u>Expanded SSA record for tax enforcement</u></p> <p>SEC. 1090. EXPANDED SSA RECORDS FOR TAX ENFORCEMENT.</p> <p>(a) EXPANSION OF COORDINATED ENFORCEMENT EFFORTS OF IRS AND HHS OFFICE OF CHILD SUPPORT ENFORCEMENT -</p> <p>(1) STATE REPORTING OF SSN OF CHILD- Section 454A(e)(4)(D) of the Social Security Act (42 U.S.C. 654a(e)(4)(D)) is amended by striking 'the birth date of any child' and inserting 'the birth date and, beginning not later than October 1, 1999, the social security number, of any child'.</p> <p>(2) FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS- Section 453(h) of such Act (42 U.S.C. 653(h)) is amended--</p> <p>(A) in paragraph (2), by adding at the end the following: 'Beginning not later than October 1, 1999, the information referred to in paragraph (1) shall include the names and social security numbers of the children of such individuals.'; and</p> <p>(B) by adding at the end the following:</p> <p>'(3) ADMINISTRATION OF FEDERAL TAX LAWS- The Secretary of the Treasury shall have access to the information described in paragraph (2) for the purpose of administering those sections of the Internal Revenue Code of 1986 which grant tax benefits based on support or residence of children.'</p> <p>(3) COORDINATION BETWEEN SECRETARIES- The Secretary of the Treasury and the Secretary of Health and Human Services shall consult regarding the implementation issues resulting from the amendments made by this subsection, including interim deadlines for States that may be able before October 1, 1999, to provide the data required by such amendments. The Secretaries shall report to Congress on the results of such consultation.</p> <p>(4) EFFECTIVE DATE- The amendments made by this subsection shall take effect on October 1, 1998.</p>		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 105-034	<u>Registration of confidential corporate tax shelters and substantial understatement penalty</u>	Conference Report on HR 1014, Taxpayer Relief Act of 1997, page H6548	"The White Paper: The Problem of Corporate Tax Shelters: Discussion, Analysis, and Legislative Proposals." Department of the Treasury, July 1999. 167pp.
02/28/1998	The House bill also directs the Treasury Department, in consultation with the Department of Justice, to issue a report to the tax-writing committees on the following tax shelter issues: (1) a description of enforcement efforts under section 7408 of the Code (relating to actions to enjoin promoters of abusive tax shelters) with respect to corporate tax shelters and the lawyers, accountants, and others who provide opinions (whether or not directly addressed to the taxpayer) regarding aspects of corporate tax shelters; (2) an evaluation of whether the penalties regarding corporate tax shelters are generally sufficient; and (3) an evaluation of whether confidential tax shelter registration should be extended to transactions where the investor (or potential investor) is not a corporation. The report is due one year after the date of enactment.		
PL 104-191	<u>Income Tax Compliance by U.S. Citizens and U.S. Lawful Permanent Residents Residing Outside the United States and Related Issues</u>	Sec. 513, Health Insurance Portability Act	"Income Tax Compliance by U.S. Citizens and U.S. Lawful Permanent Residents Residing Outside the United States and Related Issues", Department of the Treasury, Office of Tax Policy, May 1998. 47pp.
11/21/1996	SEC. 513. REPORT ON TAX COMPLIANCE BY UNITED STATES CITIZENS AND RESIDENTS LIVING ABROAD.		
	Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury shall prepare and submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report-- (1) describing the compliance with subtitle A of the Internal Revenue Code of 1986 by citizens and lawful permanent residents of the United States (within the meaning of section 7701(b)(6) of such Code) residing outside the United States, and (2) recommending measures to improve such compliance (including improved coordination between executive branch agencies).		
PL 104-191	<u>Medical Savings Accounts</u>	Sec. 301, Health Insurance Portability and Accountability Act of 1996 (PL. 104-191)	
	SEC. 301. MEDICAL SAVINGS ACCOUNTS. (k) MONITORING OF PARTICIPATION IN MEDICAL SAVINGS ACCOUNTS- The Secretary of the Treasury or his delegate shall--		
	(1) during 1997, 1998, 1999, and 2000, regularly evaluate the number of individuals who are maintaining medical savings accounts and the reduction in revenues to the United States by reason of such accounts, and (2) provide such reports of such evaluations to Congress as such Secretary determines appropriate.		
PL 104-188	<u>Alternative Collection of Motorboat Diesel Fuel Tax</u>	Conference Report on Small Business Job Protection Act (PL. 104-188) page H9622	"Report to The Congress on The Taxation of Diesel Fuel Used in Noncommercial Motorboats", Department of the Treasury, June 1997. 13pp.
04/01/1997	In addition, the Senate Finance Committee requested that the Treasury Department study possible alternatives to the current collection regime for motorboat diesel fuel that will provide comparable compliance with the law, and report to the House Committee on Ways and Means and the Senate Committee on Finance no later than April 1, 1997.		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 104-188	<u>Adoption Tax Benefit</u>	Small Business Job Protection Act (P.L. 104-188)	"Report to Congress on Tax Benefits for Adoption." Department of the Treasury, October 2000. 69pp. http://www.treas.gov/taxpolicy/library/adoption.pdf
01/01/2000	'SEC. 137. ADOPTION ASSISTANCE PROGRAMS. (d) STUDY AND REPORT- The Secretary of the Treasury shall study the effect on adoptions of the tax credit and gross income exclusion established by the amendments made by this section and shall submit a report regarding the study to the Committee on Finance and the Committee on Ways and Means of the House of Representatives not later than January 1, 2000		
PL 104-168	<u>Interest on Tax Overpayments and Underpayments</u>	Sec. 1208, The Taxpayer Bill of Rights	"Report to the Congress on Netting of Interest on Tax Overpayments and Underpayments." Department of the Treasury, April 1997. 44pp.
	Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, a study of (1) the legal and policy issues related to the netting of interest on federal tax overpayments and underpayments; and (2) the Internal Revenue Service's administrative practices in that regard.		
PL 104-168	<u>Joint Return Related Issues. Innocent Spouse</u>	Sec. 401 Taxpayer Bill of Rights 2	"Report to the Congress on Joint Liability and Innocent Spouse Issues." Department of the Treasury, February 1998. 58pp.
01/30/1997	TITLE IV--JOINT RETURNS SEC. 401. STUDIES OF JOINT RETURN-RELATED ISSUES. The Secretary of the Treasury or his delegate and the Comptroller General of the United States shall each conduct separate studies of-- (1) the effects of changing the liability for tax on a joint return from being joint and several to being proportionate to the tax attributable to each spouse, (2) the effects of providing that, if a divorce decree allocates liability for tax on a joint return filed before the divorce, the Secretary may collect such liability only in accordance with the decree, (3) whether those provisions of the Internal Revenue Code of 1986 intended to provide relief to innocent spouses provide meaningful relief in all cases where such relief is appropriate, and (4) the effect of providing that community income (as defined in section 66(d) of such Code) which, in accordance with the rules contained in section 879(a) of such Code, would be treated as the income of one spouse is exempt from a levy for failure to pay any tax imposed by subtitle A by the other spouse for a taxable year ending before their marriage. The reports of such studies shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate within 6 months after the date of the enactment of this Act.		
PL 103-066	<u>Feasibility of IRS Collecting Repayments of Federal Student Loans</u>	Conference Report on the Omnibus Budget Reconciliation Act of 1993	"Study of the Feasibility of the IRS Collecting Repayments of Federal Student Loans." Department of the Treasury, Department of Education, June 1995. 14pp.
	The Treasury Department, in consultation with the Department of Education, to conduct a study of the feasibility of implementing a system for the repayment of Federal student loans through wage withholding or other means involving the IRS.		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 103-066	<u>Excess Passive Assets Rules and the Passive Foreign Investment Company Rules to Account for Marketing</u>	Conference Report to the Omnibus Budget Reconciliation Act of 1993	"Report to the Congress on Adjusting the Excess Passive Assets Rules and the Passive Foreign Investment Company Rules to Account for Marketing Intangibles." Department of the Treasury, November 1994. 23pp.
Department of Treasury to study whether the excess passive assets rules for the current taxation of certain earning of controlled foreign corporations and the passive foreign investment company rules should be amended to account for intangible assets created by marketing expenditures, in a manner similar to that used to account for assets created by research or experimental expenditures.			
PL 103-066	<u>Effects of Notification of EITC advance payment option</u>	Conference Report on HR 2264, Omnibus Budget Reconciliation Act of 1993 page H5928	"Advance Earned Income Tax Credit: 1994 and 1997" Department of the Treasury, Internal Revenue Service, October 1999. 24 pp.
H5928 C. Expansion and Simplification of Earned Income Tax Credit (sec. 14131 of the House bill, sec. 8131 of the Senate amendment, sec. 13131 of the Conference agreement, and secs. 32, 162, 213, and 3507 of the Code) The Internal Revenue Service (IRS) is required to provide notice to taxpayers with qualifying children who receive a refund on account of the EITC that the credit may be available on an advance payment basis. To prevent taxpayers from incurring an unexpectedly large tax liability due to receipt of the EITC on an advance payment basis, the amount of advance payment allowable in a taxable year is limited to 60 percent of the maximum credit available to a taxpayer with one qualifying child. After providing these notices to taxpayers for two taxable years, the Secretary of the Treasury is directed to study the effect of the notice program on utilization of the advance payment mechanism. Based on the results of this study, the Secretary may recommend modifications to the notice program to the Committee on Ways and Means and the Committee on Finance.			
PL 103-066	<u>Section 212 Expenses and the Alternative Minimum Tax</u>	Conference Report on the Omnibus Budget Reconciliation Act of 1993, Section 13113	"Report to the Congress on Section 212 Expenses and The Alternative Minimum Tax." Department of the Treasury, December 1994. 15pp.
03/01/1994	Department of the Treasury should study whether the present-law treatment of section 212 expenses under the alternative minimum tax (AMT) creates a disincentive for "the long-term investments that Congress has intended to foster through the capital gains exclusion."		
PL 103-066	<u>Vaccine Injury Compensation Program</u>	Conference Report on Omnibus Budget Reconciliation Act of 1993	"National Vaccine Injury Compensation Program: Financing the Post-1988 Program and Other Issues." Department of the Treasury, August 1994. 26pp.
08/10/1994	The Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall conduct a study of the Vaccine Injury Compensation Trust Fund and several related matters.		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic **Congressional Requirement** **Study Citations and Recent Related SOI Publications**
Date Due **Mandate Text**

PL 103-066	<u>Investments in U.S. Non-Corporate Obligations</u>	Conference Report on HR 2264, Omnibus Budget Reconciliation Act of 1993 page H5958
12/31/1993	Study on investments in U.S. property. The conferees understand that a controlled foreign corporation is not treated as holding U.S. property under section 956 if it invests in an obligation of an unrelated U.S. corporation. A similar rule, however, is not applicable to an investment in an obligation of an unrelated U.S. person other than a corporation. The conferees intend that the Treasury Department study the tax treatment of investments by controlled foreign corporations in obligations of U.S. persons other than corporations, and provide the House Committee on Ways and Means and the Senate Committee on Finance with a report of such study by December 31, 1993. The study should include the Treasury's views and recommendations as to whether the rules of section 956 should be amended insofar as they relate to the treatment of investments by controlled foreign corporations in the obligations of unrelated U.S. persons other than corporations, along with a discussion of the merits and consequences of any such amendment.	
PL 103-066	<u>Treatment of Certain Financing and Credit Services Businesses</u>	Conference Report on HR 2264, Omnibus Budget Reconciliation Act of 1993 page H5957
03/01/1994	Study on treatment of certain financing and credit services businesses. The conference agreement provides that certain income derived in the conduct of a banking or insurance business, or, in the case of U.S. shareholders of a controlled foreign corporation, a securities business, may be excluded from the definition of passive income for purposes of the PFIC rules and the excess passive assets rules. These rules, however, do not apply to income derived in the conduct of financing and credit services businesses. The conferees intend that the Treasury Department study the tax treatment of income derived in the conduct of financing and credit services businesses, and provide the House Committee on Ways and Means and the Senate Committee on Finance with a report of such study by March 1, 1994. The study should include the Treasury's views and recommendations as to whether the PFIC rules and the excess passive assets rules should be amended insofar as they relate to the treatment of such income, along with a discussion of the merits and consequences of any such amendment. In addition, the study should address any special considerations that might pertain in this regard with respect to a foreign corporation that is not a controlled foreign corporation, and discuss the extent to which appropriate anti-abuse rules would be sufficient to address special concerns that might arise in this context.	
PL 103-066	<u>Advance Valuation Procedure</u>	Omnibus Budget Reconciliation Act of 1993
08/01/1994	Develop an advance valuation procedure whereby taxpayer could enter agreement with Secretary regarding value of tangible personal property prior to donation to charitable organization.	
PL 103-066	<u>Mergers and Acquisitions</u>	Omnibus Budget Reconciliation Act of 1993
12/01/1995	Examine effect of legislation on pricing of acquisitions and on the value of different types of intangibles.	

Enclosure I

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

PL 102-240	<u>Report on Non-highway Recreational Fuel Taxes</u>	Sec. 8003 of the Highway Reauthorization Act of 1991	Congressional Requirement	Study Citations and Recent Related SOI Publications
PL 101-508	<u>Tax Provisions of Micronesia Compact of Free Association</u>	SEC. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 407. The Compact of Free Association Act of 1985. 48 USC 1681 (PL 99-239)		Note: No FY1996 report was issued because the relevant trust fund was repealed by Section 9011 of the Transportation Equity Act for the 21st Century, PL 105-178, prior to the report's release. "Report to the Congress on Nonhighway Recreational Fuel Taxes: Fiscal Years 1994 and 1995". Department of the Treasury, April 1997. 9pp. "Report to the Congress on Nonhighway Recreational Fuel Taxes: Fiscal Years 1992 and 1993". Department of the Treasury, June 1994. 8pp.
01/01/1991	Online summary states: Title IV: Clarification of Certain Trade and Tax Provisions of the Compact - Requires the Secretary of the Treasury to conduct a study on the effects of the Compact's tax provisions and to report such results to specified congressional committees.			SEC. 8003. NATIONAL RECREATIONAL TRAILS TRUST FUND. (d) REPORT ON NONHIGHWAY RECREATIONAL FUEL TAXES- The Secretary of the Treasury shall, within a reasonable period after the close of each of fiscal years 1992 through 1996, submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate specifying his estimate of the amount of non-highway recreational fuel taxes (as defined in section 9503(c)(6) of the Internal Revenue Code of 1986, as added by this Act) received in the Treasury during such fiscal year.
PL 101-508	<u>Minimum Participation Rule</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 6056. The Technical and Misc. Revenue Act of 1988 (PL 100-647)		"Study of the Effect of the Minimum Participation Requirements on Government Contractors." Department of the Treasury, March 1991. 13pp.
02/15/1991	Online summary states: Directs the Secretary of the Treasury to study and report to specified congressional committees on the application of specified participation requirements to Government contractors who establish separate plans to meet requirements that they provide certain employee retirement benefits.			

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Mandate Text

Treatment of Certain Technical Personnel

PL 101-508 Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 6072, The Technical and Misc. Revenue Act of 1988 (PL 100-647) "Taxation of Technical Service Personnel: Report on Section 1706 of the Tax Reform Act of 1986." Department of the Treasury, February 1991. 80pp.

02/15/1991

Online text unavailable. Letter accompanying report states: Section 6072 of Public Law 100-647, the Technical and Miscellaneous Revenue Act of 1988, provides that the Secretary of the Treasury shall conduct a study of the treatment provided by section 1706 of the Tax Reform Act of 1986.

PL 101-508

Return Requirement Where Cash Received in Trade or Business

Sec. 11318 Omnibus Budget Reconciliation Act 1990 "Operation of Section 60501 of the Internal Revenue Code: A study conducted pursuant to section 11318 of the Omnibus Budget Reconciliation Act of 1990." Department of the Treasury, Internal Revenue Service, April 1991.

03/31/1991

TITLE XI--REVENUE PROVISIONS Subtitle C--Other Revenue Increases Part II--Compliance Provisions
 SEC. 11318. RETURN REQUIREMENT WHERE CASH RECEIVED IN TRADE OR BUSINESS.
 (d) STUDY- The Secretary of the Treasury or his delegate shall conduct a study on the operation of section 60501 of the Internal Revenue Code of 1986. Such study shall include an examination of--
 (1) the extent of compliance with the provisions of such section,
 (2) the effectiveness of the penalties in ensuring compliance with the provisions of such section, and
 (3) methods to increase compliance with the provisions of such section and ways Form 8300 could be simplified, and
 (4) appropriate methods to increase the usefulness and availability of information submitted under the provisions of such section.
 Not later than March 31, 1991, the Secretary shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the study conducted under this subsection, together with such recommendations as he may deem advisable.

PL 101-508

Depreciation of Business-Use Light Trucks

Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 7612(f), Omnibus Budget Reconciliation Act of 1989 (PL 101-239) "Report to Congress on the Depreciation of Business-Use Light Trucks." Department of the Treasury, September 1991. 37pp.

04/15/1991

SEC. 7612. OTHER MODIFICATIONS TO MINIMUM TAX. (f) STUDY OF DEPRECIATION TREATMENT OF CERTAIN VEHICLES- (1) IN GENERAL- The Secretary of the Treasury or his delegate shall conduct a study on the proper class life for cars and light trucks. (2) REPORT- Not later than the day 1 year after the date of the enactment of this Act, the Secretary shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the report conducted under paragraph (1), together with such recommendations as he may deem advisable.

Congressional Requirement

Study Citations and Recent Related SOI Publications

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 101-508	<u>Pensions Plans Full Funding Limitation</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 9301(c)(3), Title IX, Omnibus Budget Reconciliation Act of 1987 (PL 100-203)	"Report to Congress on the Effect of the Full Funding Limit on Pension Benefit Security." Department of the Treasury, May 1991. 96pp.
04/15/1991	Online summary states: Subtitle D: Pension Provisions - Part I: Full-Funding Limitation - Part I: Full-Funding Limitation - Amends the IRC and the Employee Retirement Income Security Act of 1974 (ERISA) to revise the definition of "full funding limitation" in connection with an employer's deductible contributions to a qualified defined benefit plan.		
	Directs the Secretary of the Treasury, by August 15, 1988, to: (1) prescribe regulations to implement these new full-funding limitation provisions; and (2) study and report to specified congressional committees on the effect of the change on benefit security under defined benefit pension plans.		
PL 101-508	<u>Depreciation of Business-Use Passenger Cars</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 7612(f), Omnibus Budget Reconciliation Act of 1989 (PL 101-239)	"Report to Congress on the Depreciation of Business-Use Passenger Cars." Department of the Treasury, April 1991. 37pp.
04/15/1991	SEC. 7612. OTHER MODIFICATIONS TO MINIMUM TAX. (f) STUDY OF DEPRECIATION TREATMENT OF CERTAIN VEHICLES-		
	(1) IN GENERAL- The Secretary of the Treasury or his delegate shall conduct a study on the proper class life for cars and light trucks.		
	(2) REPORT- Not later than the day 1 year after the date of the enactment of this Act, the Secretary shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the report conducted under paragraph (1), together with such recommendations as he may deem advisable.		
PL 101-508	<u>Source Rule on Sales of Personal Property</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 1211(d), Title XII, Tax Reform Act of 1986 (PL 99-514)	"Report to the Congress on The Sales Source Rules." Department of the Treasury, January 1993. 33pp.
01/01/1992	Online text unavailable. Letter accompanying report states: Requires evaluation of title passage rules in light of lower rates. Treasury is also directed to take into account the trade concerns of Congress.		
PL 101-508	<u>Treatment of Certain Family Services Providers</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 6305 (e). The Technical and Misc. Revenue Act of 1988 (PL 100-647)	Congressional Letter Response, January 1992.
01/01/1992	Online summary states: Title VI: Other Substantive Revenue Provisions Subtitle M: Miscellaneous Provisions Sets forth criteria to govern the employment status of dependent care services providers for employment tax purposes. Directs the Secretary of the Treasury to report to specified congressional committees on the tax status of day care providers paid under enumerated programs.		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 101-508	<u>Spin-off of Defined Benefit Plan Assets to Bridge Banks</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 6067(b). The Technical and Misc. Revenue Act of 1988 (PL 100-647)	"Study on the Allocation of Excess Pension Plan Assets in the Case of Bridge Banks." Department of the Treasury, January 1992. 9pp.
01/01/1992	Online summary states: Subtitle C: Pensions and Employee Benefits Adds provisions to cover mergers and consolidations of plans or transfers of plan assets in connection with bridge banks. Directs the Secretary of the Treasury to study and report to specified congressional committees on appropriate methods of allocating assets under these new rules.		
PL 101-508	<u>Limiting Policyholder Dividend Deduction for Mutual P&C Companies</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 1025. Title X. Tax Reform Act of 1986 (PL 99-514)	"Report to the Congress on Property and Casualty Insurance Company Taxation." Department of the Treasury, April 1991. 45pp.
01/01/1992	Online summary states: Title X: Insurance Products and Companies - Subtitle C: Property and Casualty Insurance Companies Requires the Secretary to study the tax treatment of policyholder dividends by mutual property and casualty insurance companies. Directs that such study be submitted to specified congressional committees no later than January 1, 1989. Gives the Secretary the authority to require the furnishing of such information as may be necessary to conduct the study.		
PL 101-508	<u>Deferred Compensation under Sec. 457</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 6064 (d)(4) The Technical and Misc. Revenue Act of 1988 (PL 100-647)	"Report to the Congress on The Tax Treatment of Deferred Compensation Under Section 457." Department of the Treasury, January 1992. 10pp.
01/01/1992	Online summary states: Subtitle C: Pensions and Employee Benefits Directs the Secretary of the Treasury to study and report to specified congressional committees on tax treatment of deferred compensation paid by State and local governments and tax-exempt organizations.		
PL 101-508	<u>Reform of Subchapter C</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 634 Title VI. Tax Reform Act of 1986 (PL 99-514)	"Report of the Department of the Treasury on Integration of The Individual and Corporate Tax Systems: Taxing Business Income Once." Department of the Treasury, January 1992. 268pp.
01/01/1992	Online summary states: Title VI: Corporate Provisions - Subtitle D: Recognition of Gain and Loss on Distributions of Property in Liquidation Requires the Secretary to conduct a study of provisions relating to subchapter C corporations and to report results to specified Congressional committees by January 1, 1988.		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 101-508	<u>Study of Section 482- Transfer Pricing</u>	Sec. 11316 Omnibus Budget Reconciliation Act of 1990	"Report on the Application and Administration of Section 482." Department of the Treasury, Internal Revenue Service, April 1992.
03/01/1992	SEC. 11316. STUDY OF SECTION 482.		<p>(a) GENERAL RULE- The Secretary of the Treasury or his delegate shall conduct a study of the application and administration of section 482 of the Internal Revenue Code of 1986. Such study shall include examination of--</p> <p>(1) the effectiveness of the amendments made by this part in increasing levels of compliance with such section 482,</p> <p>(2) use of advanced determination agreements with respect to issues under such section 482,</p> <p>(3) possible legislative or administrative changes to assist the Internal Revenue Service in increasing compliance with such section 482, and</p> <p>(4) coordination of the administration of such section 482 with similar provisions of foreign tax laws and with domestic nontax laws.</p> <p>(b) REPORT- Not later than March 1, 1992, the Secretary of the Treasury or his delegate shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the study conducted under subsection (a), together with such recommendations as he may deem advisable.</p>
PL 101-508	<u>Study of Certain Fraternal Beneficiary Societies</u>	Sec. 11831(b) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 1012(c)(2). Title X. Tax Reform Act of 1986 (PL 99-514)	"Report to Congress on Fraternal Benefit Societies." Department of the Treasury, January 1993. 81pp.
07/01/1992	Online text/summary unavailable. Letter accompanying report states: Requires study of the use of revenues from the insurance activities of section 501(c)(8) fraternal beneficiary societies that have gross premiums in excess of \$25 MM.		
PL 101-508	<u>Report on Special Valuation Rules</u>	Sec 11602(d) Omnibus Budget Reconciliation Act of 1990 (PL 101-508)	
12/31/1992	SEC. 11602. SPECIAL VALUATION RULES. (d) STUDY- The Secretary of the Treasury shall conduct a study of-- (1) the prevalence and types of options and agreements used to distort the valuation of property for purposes of subtitle B of the Internal Revenue Code of 1986, and (2) other methods using discretionary rights to distort the value of property for such purposes.		The Secretary shall, not later than December 31, 1992, report the results of such study, together with such legislative recommendations as the Secretary considers necessary, to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 101-508	<u>Low-Income Housing Credit</u>	Sec. 11407 Omnibus Budget Reconciliation Act 1990	
01/01/1993	TITLE XI--REVENUE PROVISIONS Subtitle D--1-Year Extension of Certain Expiring Tax Provisions SEC. 11407. LOW-INCOME HOUSING CREDIT. (b) ADDITIONAL AMENDMENTS- (10) EFFECTIVE DATES- (D) STUDY- The Inspector General of the Department of Housing and Urban Development and the Secretary of the Treasury shall jointly conduct a study of the effectiveness of the amendment made by paragraph (5) in carrying out the purposes of section 42 of the Internal Revenue Code of 1986. The report of such study shall be submitted not later than January 1, 1993, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.		
PL 101-508	<u>Taxation of Americans Working Overseas</u>	Sec. 11833(a) Omnibus Budget Reconciliation Act of 1990 as it amends Sec. 114 Economic Recovery Tax Act of 1981 (PL 97-34) as it amends Foreign Earned Income Act, 1978 (PL 95-615)	"Individual Foreign-Earned Income and Foreign Tax Credit, 1996." Internal Revenue Service, SOI Bulletin, vol. 19:1, Summer 1999. pp. 130-151 "Individual Foreign-Earned Income and Foreign Tax Credit, 1991." Internal Revenue Service, SOI Bulletin, vol. 14:2, Fall 1994. pp. 113-122.
12/31/2004	Online text unavailable. Letter accompanying report states: Section 114 of the Economic Recovery Tax Act of 1981 provides that the Secretary of the Treasury shall transmit a report to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate on the operation and effects of sections 911 and 912 of the Internal Revenue Code. The Omnibus Budget Reconciliation Act of 1990 amended the reporting provisions of section 114 to require that a report be submitted for the 1993 tax year and every fifth year thereafter.		"Taxation of Americans Working Overseas: The Operation of the Foreign Earned Income Exclusion in 1983." Department of the Treasury, March 1989. 31pp. "Taxation of Americans Working Overseas: Revenue Aspects of Recent Legislative Changes and Proposals." Department of the Treasury, February 1978. 78pp.

Enclosure I

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 101-073	<u>Government Sponsored Enterprises</u>	Sec. 1404 (d) Financial Institutions Reform, Recovery, and Enforcement Act of 1989	"Report of the Secretary of the Treasury on Government-Sponsored Enterprises." Department of the Treasury, April 1991. 53pp.
05/15/1991	TITLE XIV--TAX PROVISIONS SEC. 1404. STUDIES OF RELATIONSHIP BETWEEN PUBLIC DEBT AND ACTIVITIES OF GOVERNMENT-SPONSORED ENTERPRISES.	(a) IN GENERAL- In order to better manage the bonded indebtedness of the United States, the Secretary shall conduct 2 annual studies to assess the financial safety and soundness of the activities of all Government-sponsored enterprises and the impact of their operations on Federal borrowing. (d) REPORTS TO CONGRESS- The Secretary shall submit to the Congress-- (1) by May 15, 1990, a report setting forth the results of the 1st annual study conducted under this section; and (2) by May 15, 1991, a report setting forth the results of the 2nd annual study conducted under this section.	"Report of the Secretary of the Treasury on Government-Sponsored Enterprises." Department of the Treasury, May 1990. various pagings.
PL 101-073	<u>Federally Assisted Transactions</u>	Sec. 1403(a) Financial Institutions Reform, Recovery, and Enforcement Act of 1989	"Report on Tax Issues Relating to 1988/89 Federal Savings and Loan Insurance Corporation Assisted Transactions." Department of the Treasury, March 1991. 18pp.
Annually	SEC. 1403. ANNUAL REPORTS ON TRANSACTIONS IN WHICH FEDERAL FINANCIAL ASSISTANCE PROVIDED.	(a) IN GENERAL- The Secretary of the Treasury or his delegate shall submit to the Senate and to the Committee on Ways and Means of the House of Representatives annual reports on-- (1)(A) the transactions which occur during the year for which the report is made and with respect to which Federal financial assistance is provided; (B) the aggregate amount of Federal financial assistance provided with respect to such transactions; and (C) any tax benefits available by reason of such transactions; and (2) the aggregate amount of Federal financial assistance provided during such year, and the aggregate tax benefits utilized during such year, which are attributable to such transactions in prior years.	(b) DEFINITION- For purposes of this section, the term 'Federal financial assistance' means any assistance to which section 597 of the Internal Revenue Code of 1986 applies.

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 100-647	<u>Depreciation of Clothing Held for Rental</u>	Sec. 201 Tax Reform Act of 1986 PL 99-514, as amended by Sec. 6253 Technical and Misc. Revenue Act of 1988	"Report to Confress on the Depreciation of Clothing Held for Rental." Department of the Treasury, August 18, 1989. 54pp.
	Online text unavailable. Letter accompanying report states: Section 201(a) of Public Law 99-514, the Tax Reform Act of 1986, required the Treasury to establish an office to study the depreciation of all depreciable assets, and when appropriate, to assign or modify the existing class lives of assets. The General Explanation of the 1986 Act stated, "Initial studies are expected to concentrate on property that now has no ADR midpoint. Additionally, clothing held for rental and scientific instruments (especially those used in connection with a computer) should be studied to determine whether a change in class life is appropriate."		
PL 100-647	<u>Depreciation of Scientific Instruments</u>	Sec. 201 Tax Reform Act of 1986 (PL 99-514) as amended by Sec. 6253. Technical and Misc. Revenue Act of 1988	"Report to Congress on the Depreciation of Scientific Instruments." Department of the Treasury, March 1990. 52pp.
	Online text unavailable. Letter accompanying report states: Section 201(a) of Public Law 99-514, the Tax Reform Act of 1986, required the Treasury to establish an office to study the depreciation of all depreciable assets, and when appropriate, to assign or modify the existing class lives of assets. General Explanation of the 1986 Act stated, "Initial studies are expected to concentrate on property that now has no ADR midpoint. Additionally, clothing held for rental and scientific instruments (especially those used in connection with a computer) should be studied to determine whether a change in class life is appropriate."		
PL 100-647	<u>Depreciation of Horses</u>	Sec. 201 Tax Reform Act of 1986 (PL 99-514) as amended by Sec. 6253. Technical and Misc. Revenue Act of 1988	"Report to Congress on the Depreciation of Horses." Department of the Treasury, March 1990. 40pp.
	Online text unavailable. Letter accompanying report states: Section 201(a) of Public Law 99-514, the Tax Reform Act of 1986, required the Treasury to establish an office to study the depreciation of all depreciable assets, and when appropriate, to assign or modify the existing class lives of assets. General Explanation of the 1986 Act stated, "Initial studies are expected to concentrate on property that now has no ADR midpoint. Additionally, clothing held for rental and scientific instruments (especially those used in connection with a computer) should be studied to determine whether a change in class life is appropriate."		
PL 100-647	<u>Depreciation of Fruit and Nut Trees</u>	Sec. 201 Tax Reform Act of 1986 (PL 99-514) as amended by Sec. 6253. Technical and Misc. Revenue Act of 1988	"Report to Congress on the Depreciation of Fruit and Nut Trees." Department of the Treasury, March 1990. 57pp.
	Online text unavailable. Letter accompanying report states: Section 201(a) of Public Law 99-514, the Tax Reform Act of 1986, required the Treasury to establish an office to study the depreciation of all depreciable assets, and when appropriate, to assign or modify the existing class lives of assets. General Explanation of the 1986 Act stated, "Initial studies are expected to concentrate on property that now has no ADR midpoint. Additionally, clothing held for rental and scientific instruments (especially those used in connection with a computer) should be studied to determine whether a change in class life is appropriate."		

Enclosure I

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 100-647	<u>Definition of United States Resident</u>	Sec. 6138. The Technical and Misc. Revenue Act of 1988	Congressional Letter Response, September 1991.
05/01/1989	Online summary states: Subtitle F: Foreign Provisions Directs the Secretary of the Treasury to study and report to specified congressional committees concerning determinations of U.S. resident status for Federal tax law purposes.		
PL 100-647	<u>The Taxation of Life Insurance Company Products</u>	Sec. 5014(b). The Technical and Misc. Revenue Act of 1988	"Report to the Congress on the Taxation of Life Insurance Company Products." Department of the Treasury, March 1990. 56pp.
06/01/1989	Online summary states: Title V: Revenue Increase Provisions Subtitle B: Insurance Provisions Directs the Secretary of the Treasury and the Comptroller General each to study and report to specified congressional committees concerning: (1) the effectiveness of revised tax treatment of life insurance and annuity products in preventing the sale of such products primarily for investment purposes; and (2) the policy justification for, and practical implications of, tax treatment of the earnings on the cash surrender value of life insurance and annuity contracts in light of recent reform legislation.		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

PL 100-647

Domestic International Sales Corporation (DISC)/ Foreign Sales

Congressional Requirement

Sec. 506 Revenue Act of 1971 (PL 92-178) as amended by Sec. 804, Deficit Reduction Act of 1984 (PL 98-369), as amended by Sec. 6252(b)(2) Technical and Misc. Revenue Act of 1988 (PL 100-647)

Study Citations and Recent Related SOI Publications

"Foreign Sales Corporations, 1996." Internal Revenue Service, SOI Bulletin, Vol. 19:4, Spring 2000. pp. 87-122.

"The Operation and Effect of the Foreign Sales Corporation Legislation: July 1, 1992 to June 30, 1993", Department of the Treasury, November 1997. 31pp.

"The Operation and Effect of the Foreign Sales Corporation Legislation: January 1, 1985 to June 30, 1988", Department of the Treasury, January 1993. 35pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation, July 1, 1981 to June 30, 1983." Department of the Treasury, February 1988. 36pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1981." Department of the Treasury, July 1983. 39pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1980 Annual Report." Department of the Treasury, December 1982. 38pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1979 Annual Report." Department of the Treasury, April 1981. 40pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1978 Annual Report." Department of the Treasury, April 1980. 53pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1977 Annual Report." Department of the Treasury, April 1979. 55pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1976 Annual Report." Department of the Treasury, April 1978. 58pp.

"The Operation and Effect of the Domestic International

Enclosure I

Sales Corporation Legislation: 1975 Annual Report." Department of the Treasury, April 1977. 51pp.

DRAFT as of Wednesday, March 21, 2001
Public Law #Topic
Date Due Mandate Text

Study Citations and Recent Related SOI Publications

Congressional Requirement

Corporations (FSC)

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1974 Annual Report." Department of the Treasury, April 1976. 37pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1973 Annual Report." Department of the Treasury, April 1975. 30pp.

"The Operation and Effect of the Domestic International Sales Corporation Legislation: 1972 Annual Report." Department of the Treasury, April 1974. 20pp.

Online summary states:

Subtitle K: Other Administrative Provisions

Amends the Tax Reform Act of 1984 to require reporting concerning possessions corporations and foreign sales corporations every four years rather than annually.

Quadrennial beginning 12/31/90

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Possessions Corporation

PL 100-647
Sec. 441. Deficit Reduction Act of 1984 (PL 98-369) as it amends W&M and Senate Finance Reports on Tax Reform Act of 1976 (PL 94-55), as amended by Sec. 6252(b) of Technical and Misc. Revenue Act of 1988 (PL 100-647)

Study Citations and Recent Related SOI Publications

"U.S. Possessions Corporations, 1995." Internal Revenue Service, SOI Bulletin, vol. 19:1, Summer 1999. pp. 168-184.

"U.S. Possessions Corporations, 1993." Internal Revenue Service, SOI Bulletin, vol. 17:2, Fall 1997. pp. 144-157.

"U.S. Possessions Corporations, 1989." Internal Revenue Service, SOI Bulletin, vol. 12:2, Fall 1992. pp. 97-103.

"U.S. Possessions Corporations, 1987." Internal Revenue Service, SOI Bulletin, vol. 11:1, Summer 1991. pp. 51-60.

"The Operation and Effect of the Possessions Corporation System of Taxation: Sixth Report (1983)." Department of the Treasury, March 1989. 109pp.

"The Operation and Effect of the Possessions Corporation System of Taxation: Fifth Report (1982)." Department of the Treasury, July 1985. 107pp.

"The Operation and Effect of the Possessions Corporation System of Taxation: Fourth Report (1979-1980)." Department of the Treasury, February 1983. 163pp.

"The Operation and Effect of the Possessions Corporation System of Taxation: Third Report (1978)." Department of the Treasury, June 1980. 140pp.

"The Operation and Effect of the Possessions Corporation System of Taxation: Second Report (1977)." Department of the Treasury, June 1979.

"The Operation and Effect of the Possessions Corporation System of Taxation: First Report (1976)." Department of the Treasury, June 1978. 90pp.

12/31/2001

Online summary states:
Subtitle K: Other Administrative Provisions

Quadrennial
Amends the Tax Reform Act of 1984 to require reporting concerning possessions corporations and foreign sales corporations every four years rather than annually.

Enclosure I

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 100-360	<u>Financing Health and Long-Term Care</u>	Requested by President 2/11/87 and Sec. 113. The Medicare Catastrophic Coverage Act of 1988	"Financing Health and Long-term Care: Report to the President and to the Congress." Department of the Treasury, March 1990. 120pp.
11/30/1988	Online summary states: Title I: Provisions Relating to Part A of Medicare Program and Supplemental Medicare Premium- Subtitle B: Supplemental Medicare Premium	Directs the Secretary of the Treasury to conduct a study and report to the Congress by November 30, 1988, on Federal tax policies to promote private financing of long-term care.	
PL 100-203	<u>Insurance Syndicate Study</u>	Sec. 10244, Title X, HR 3545, Omnibus Budget Reconciliation Act of 1987	"Report to Congress on the Taxation of Income Earned by Members of Insurance or Reinsurance Syndicates." Department of the Treasury, February 1989. 62pp.
04/01/1988	Online summary states: Title X: Revenue Provisions - Subtitle B: Business Provisions - Part V: Insurance Provisions	Directs the Secretary of the Treasury to: (1) study the proper Federal income tax treatment of income earned by members of insurance or reinsurance syndicates and report findings to specified congressional committees by April 1, 1988; and (2) renegotiate by January 1, 1990, a specified closing agreement with underwriters participating in certain insurance or reinsurance syndicates.	
PL 100-203	<u>Widely Held Partnerships: Compliance and Administration Issues</u>	Sec. 10215. Title X. Omnibus Budget Reconciliation Act of 1987	"Widely Held Partnerships: Compliance and Administration Issues." Department of the Treasury, March 1990. 85pp. plus Appendices.
01/01/1989	Online summary states: Title X: Revenue Provisions Subtitle B: Business Provisions Part II: Partnership Provisions	Directs the Secretary of the Treasury to study and report to specified congressional committees by January 1, 1989, (with an interim report due May 1, 1988) on: (1) the issue of treating publicly traded limited partnerships and other corporation-like partnerships as corporations for income tax purposes, including the issues of reincorporation and opportunities for avoidance of the corporate tax; and (2) administrative and compliance issues related to the tax treatment of publicly traded partnerships and other large partnerships.	

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 100-203	<u>Effect of Tax Refund Offset Program on Voluntary Compliance</u>	Sec. 9402(c). Title IX, Omnibus Budget Reconciliation Act of 1987	"Refund Offset Program Benefits Appear to Exceed Costs: Report to Congressional Requesters." General Accounting Office, May 1991. 47pp. GAO/GGD-91-64
04/01/1989	Online summary states: Title IX: Income Security and Related Programs - Subtitle E: Miscellaneous Provisions - Amends the Deficit Reduction Act of 1984 to extend through June 30, 1988, provisions under which overpayments of Federal taxes may be used to offset non-tax debts owed to Federal agencies. (Currently, such offsets are permitted with respect to refunds payable before 1988.)		
	Expresses the intent of the Congress that, to the extent practicable, the amendments made by the Deficit Reduction Act of 1984 with respect to the collection of non-tax debts owed to Federal agencies shall extend to all Federal agencies. Directs the Secretary of the Treasury to issue regulations to carry out the purposes of this paragraph.		
	Directs the Comptroller General to study the operation and effectiveness of these provisions and to report findings to specified congressional committees no later than April 1, 1989.		
PL 100-203	<u>Tax Gap</u>	Sec. 10622 Revenue Act of 1987	"Income tax compliance research: net tax gap estimates." Department of the Treasury, Internal Revenue Service, April 1990." - 18pp.
04/15/1989	Online summary states: Title X: Revenue Provisions Subtitle F: Other Revenue Provisions Part III: Compliance SEC. 10622 Requires the IRS: (1) to issue a report by April 15, 1989, on the extent of the tax gap and possible measures to decrease it; and (2) to report annually on the improvements being made in the audit rate, taxpayer assistance, and enforcement efforts.		
PL 100-202	<u>Installment Sales Income Study</u>	Sec. 105, Title I. The Treasury, Postal Service, and General Appropriations Act (1988) (Sec. 101(m), HJ Res 395)	Congressional Letter Response, August 1988.
08/15/1988	Online text unavailable. Study of economic impact and administrative complexity of IRC Sec. 453C (Installment Method), including effect on fiscal year taxpayers; recommending revenue neutral alternative to the method		
PL 099-514	<u>Report on Evasion of the Federal Gasoline Excise Tax</u>	Title XVII, Tax Reform Act of 1986	"Report to the Congress on Evasion of the Federal Gasoline Excise Tax." U.S. Department of the Treasury, Office of Tax Policy, December 1987. 20pp.
12/31/1986	Online text unavailable. Letter accompanying report states: Section 1703(g) of Public Law 99-514, the Tax Reform Act of 1986, provides that the Secretary of the Treasury "shall conduct a study of incidence of evasion of the gasoline tax."		

Enclosure I

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 099-514	<u>Report on Return-free Tax System</u>	Title XV, Tax Reform Act of 1986	"Current Feasibility of a Return-Free Tax System." Department of the Treasury, Internal Revenue Service, October 1987. 57 pp.
04/07/1987	Online summary states: Title XV: Compliance and Tax Administration are placed at the Federal income tax of individuals on a return-free system for the	Subtitle H: Miscellaneous Provisions - Requires the Secretary to report to the Congress	
PL 099-514	<u>Effect on U.S. Reinsurance Corporations of the Waiver by Treaty of the Excise Tax on Certain Reinsurance Premiums</u>	Sec. 1244, Title XII. Tax Reform Act of 1986	"Report to Congress on the Effect on U.S. Reinsurance Corporations of the Waiver by Treaty of the Excise Tax on Certain Reinsurance Premiums." Department of the Treasury, March 1990. 24pp.
12/31/1987	Online summary states: Title XII: Foreign Tax Provisions - Subtitle E: Treatment of Foreign Taxpayers Requires the Secretary to conduct a study to determine whether U.S. reinsurance corporations are placed at a significant competitive disadvantage with foreign reinsurance corporations by existing treaties between the United States and foreign countries.		
PL 099-514	<u>Worthlessness of Bad Debts</u>	Tax Reform Act of 1986. Conference Report 99-841. P. 11-316	"Report to the Congress on the Tax Treatment of Bad Debts by Financial Institutions." Department of the Treasury, September 1991. 48pp.
07/15/1991	No statutory requirement. Letter accompanying report directed: the Treasury Department to study and report on the appropriate criteria to be used in determining whether a debt is worthless for Federal income tax purposes, and specifically to consider the circumstances under which it would be appropriate to provide a conclusive or rebuttable presumption of worthlessness.		
PL 099-509	<u>Telephone Excise Tax Exemptions</u>	Sec. 8061, Omnibus Budget Reconciliation Act of 1986	"Report to Congress on Communication Services Not Subject to Federal Excise Tax." Department of the Treasury, August 1987. 31pp.
06/30/1987	Online summary states: Title VIII: Revenues, Trade, and Related Programs - Subtitle A: Revenue Provisions - Part VII: Study of Communication Services Not Subject to Federal Excise Tax - Requires the Secretary of the Treasury to conduct a study of communication services not subject to Federal excise tax. Requires the Secretary to submit a report of such study to specified committees of the Congress not later than June 30, 1987.		
	Secretary of the Treasury, in consultation with the Secretary of Commerce and the Chairman of the Federal Communications Commission, "shall conduct a study of communication services which are exempt from the tax imposed by section 4251 of the Internal Revenue Code of 1954 by reason of being a private communication service (as defined in section 4252(d) of such Code) or by reason of a specific exemption from such tax under section 4253 of such Code."		

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

Congressional Requirement

Study Citations and Recent Related SOI Publications

PL 099-499	<u>Tax on Certain Imported Substances under Secs. 4671 and 4661(e)(2)(A)(ii)(I) of the Internal Revenue Code</u>	Sec. 515(d) Superfund Revenue Act of 1986	
01/01/1988	SEC. 515. (d) STUDY. (1) In general. The Secretary of the Treasury or his delegate shall conduct a study of issues relating to the implementation of (A) the tax imposed by the section 4671 of the Internal Revenue Code of 1986 (as added by this section), and (B) the credit for exports of taxable substances under section 4661(e)(2)(A)(ii)(I) of such Code. In conducting such study, the Secretary of the Treasury or his delegate shall consult with the Environmental Protection Agency and the International Trade Commission. (2) Report. The report of the study under paragraph (1) shall be submitted not later than January 1, 1988, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate."		
PL 098-369	<u>Gross Income Tax</u>	Sec. 1081, Deficit Reduction Act of 1984	"Report to Congress on an Economic Analysis of Gross Income Taxes." Department of the Treasury, Office of the Secretary, Office of Tax Analysis, November 1986.
	The Secretary of the Treasury or his delegate shall conduct a study of, and submit to the House Ways and Means Committee and the Senate Finance Committee, a report on " a simplified income tax based on gross income."		
PL 098-369	<u>Taxicab Fuel</u>	Sec. 935 Deficit Reduction Act of 1984 (PL 98-369) as it amends Sec. 511(e)(4) of Surface Transportation Assistance Act of 1982 (PL	"A Report to the Congress on the Reduced Rate of Fuels Taxes for Taxicabs." Department of the Treasury, June 1988. 7pp.
01/01/1985	Title IX: Highway Revenue Provisions - Subtitle D: Studies - Requires the Secretary of the Treasury to conduct a study of the reduced rate of fuel taxes provided for taxicabs. Requires such study to be submitted to the Congress no later than January 1, 1985.		
PL 098-369	<u>Weight-Distance Taxes</u>	Deficit Reduction Act of 1984 (PL 98-369)	
10/01/1987	Online summary states: Title IX: Highway Revenue Provisions - Subtitle D: Studies - Requires the Secretary of Transportation, in consultation with the Secretary of the Treasury, to conduct a study (3) to evaluate the feasibility and ability of weight-distance truck taxes to provide the greatest degree of equity among highway users, to ease the costs of compliance of such taxes, and to improve the efficiency by which such taxes might be administered. Requires the Secretary of Transportation to submit a report on each study to specified committees of Congress not later than October 1, 1987.		
PL 098-369	<u>Trans-Border Trucking</u>	Sec. 932 and 934 Deficit Reduction Act of 1984	
10/01/1987	Online summary states: Title IX: Highway Revenue Provisions - Subtitle D: Studies - Requires the Secretary of Transportation, in consultation with the Secretary of the Treasury, to conduct a study to determine the significance of the excise tax on highway motor vehicles on trans-border trucking operations		

Enclosure I

DRAFT as of Wednesday, March 21, 2001

		<i>Congressional Requirement</i>	<i>Study Citations and Recent Related SOI Publications</i>
<i>Public Law #Topic</i>	<i>Date Due</i>	<i>Mandate Text</i>	
PL 098-369	10/01/1987	<u>Heavy Vehicle Cost Responsibility Study</u> Online summary states: Title IX: Highway Revenue Provisions - Subtitle D: Studies - Requires the Secretary of Transportation, in consultation with the Secretary of the Treasury, to conduct a study: (1) of whether highway motor vehicles with taxable gross weights of 80,000 pounds or more bear a proportionate share of the cost of the highway system;	
PL 098-369		<u>Final Report of Life Insurance Company Taxation</u> Sec. 231(b)(3). Deficit Reduction Act of 1984	"Final Report to the Congress on Life Insurance Company Taxation." Department of the Treasury, August 11, 1989. 56pp.
01/01/1989		Online summary states: Title II: Life Insurance Provisions - Subtitle C: Studies - Requires the Secretary to make annual reports in the years 1986, 1987, 1988, and 1989 concerning the impact of this Act on specified segments and products of the life insurance industry.	"Interim Report to the Congress on Life Insurance Company Taxation." Department of the Treasury, June 1988. 93pp.
PL 098-369		<u>Private Foundation Grant-Making Expenses</u> Deficit Reduction Act of 1984, Conference Report 98-861, p. 1087	
01/01/1990		No statutory requirement	

Enclosure I

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

PL 098-369

International Boycott Provision

Congressional Requirement

Sec. 1067 Tax Reform Act of 1976 (PL 94-455) as amended by Sec. 411 Deficit Reduction Act of 1984 (PL 98-369)

Study Citations and Recent Related SOI Publications

"The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code: Seventh Report." Department of the Treasury, Internal Revenue Service, August 1997. 33pp. Document 10032, Catalog #24442Q.

"The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code: Sixth Report." Internal Revenue Service, December 1993.

"The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code: Fifth Report." Department of the Treasury, February 1991. 38pp.

"The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code: Fourth Report." Department of the Treasury, 1985. 32pp.

"The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code: Third Annual Report (1978)." Department of the Treasury, May 1982. 20pp.

"The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code: Second Annual Report (1977)." Department of the Treasury, December 1980. 20pp.

"The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code: First Annual Report (1976)." Department of the Treasury, March 1979. 20pp.

12/31/1993

4-year cycle

Title IV: Tax Simplification Subtitle D: Miscellaneous Treasury Administrative Provisions - Requires the submission of the international boycott report every four years.

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

PL 098-021

Taxation of Social Security and Railroad Retirement Benefits

Sec. 121 1983 Social Security Act (PL 98-21) p. 97 Stat. 84

Congressional Requirement

Study Citations and Recent Related SOI Publications

"Report on the Taxation of Social Security and Railroad Retirement Benefits in Calendar Years 1994, 1995, and 1996." Department of the Treasury, January 2001. 30pp.

"Report on The Taxation of Social Security and Railroad Retirement Benefits in Calendar Year 1993." Department of the Treasury, July 1998. 15+pp.

"Report on The Taxation of Social Security and Railroad Retirement Benefits in Calendar Year 1992." Department of the Treasury, January 1997. 22pp.

"Report on the Taxation of Social Security and Railroad Retirement Benefits in Calendar Year 1991." Department of the Treasury, September 1994. 16pp.

"Report on The Taxation of Social Security and Railroad Retirement Benefits in Calendar Year 1990." Department of the Treasury, January 1993. 15pp.

"Report on The Taxation of Social Security and Railroad Retirement Benefits in Calendar Year 1989." Department of the Treasury, March 1992. 15pp.

"Report on The Taxation of Social Security and Railroad Retirement Benefits in Calendar Years 1987 and 1988." Department of the Treasury, March 1991. 35pp.

"Report on The Taxation of Social Security and Railroad Retirement Benefits in Calendar Year 1986." Department of the Treasury, February 1989. 15pp.

"Report on the Taxation of Social Security and Railroad Retirement Benefits in Calendar Year 1985." Department fo the Treasury, July 1987. 10pp.

Online summary states:

Title I: Provisions Affecting the Financing of the Social Security System - Part C: Revenue Provisions - Appropriates to the Federal Old-Age and Survivors Insurance Trust Fund and to the Federal Disability Insurance Trust Fund the revenues generated under this title. Requires that such appropriations be transferred at least quarterly from the Treasury to the trust funds. Requires the Secretary of the Treasury to report to Congress, the Secretary of Health and Human Services, and the Railroad Retirement Board on such transfers.

Annual

Enclosure I

DRAFT as of Wednesday, March 21, 2001

Public Law #Topic

Date Due Mandate Text

PL 097-248	<u>Tip Compliance</u>	Sec. 314 (c) HR 4961 Tax Equity and Fiscal Responsibility Act of 1982	"Tip Income Study." Department of the Treasury, Internal Revenue Service, December 1990. 48pp
01/01/1987	Online text unavailable		
PL 097-034	<u>Americans Working Abroad</u>	Sec. 208. Foreign Earned Income Act of 1978 (PL 95-615) as amended by Sec. 114 Economic Recovery Tax Act of 1981 (PL 97-34) and OBRA, 1990, Sec. 11833	
12/31/1994	Online summary states: Title I: Individual Income Tax Provisions - Subtitle B: Income Earned Abroad - Amends the Foreign Earned Income Act of 1978 to revise reporting requirements to require the Secretary and certain Federal Government agencies to report to specified congressional committees on the operation and effects of the foreign earned income exclusion quadrennially beginning after the enactment of this Act.		
PL 096-451	<u>Motorboat Fuel Excise Tax</u>	Sec. 204 National Recreational Boating Safety Improvement Act of 1980	"Report to Congress on the Gasoline Excise Tax Revenues Attributable to Fuel Used in Recreational Motorboats." Department of the Treasury, Office of Tax Analysis, 1986. 33pp.
10/14/1982	Online summary states: Title II: Establishment of Fund SEC. 204 Directs the Secretary of the Treasury (after consultation with the Secretary of the department in which the Coast Guard is operating) to conduct a study to determine the portion of motorboat fuel taxes attributable to fuel used in recreational motorboats and to report such findings to Congress within two years of the enactment of this Act.		
PL 096-223	<u>Windfall Profits Tax</u>	Sec. 102(e), Crude Oil Windfall Profit Tax Act of 1980	Congressional Letter Response (1986), August 1988. Congressional Letter Response (1984, 1985), December 1986.
Annual			The Secretary of the Treasury will report annually to Congress, beginning in fiscal year 1982, on the net revenue derived from the windfall profit tax for the preceding fiscal year and the actual disposition of these revenues.
PL 095-600	<u>Targeted Jobs Tax Credit</u>	Sec. 554 Revenue Act of 1978	"The Use of Tax Subsidies for Employment. A Report to Congress by the Departments of Labor and Treasury." Department of the Treasury, May 1986. 119pp.
			Secretary of the Treasury and the Secretary of Labor jointly submit a report on the Targeted Jobs Tax Credit.

Congressional Requirement

Study Citations and Recent Related SOI Publications

Question 4: How much taxpayer guidance did IRS’ Office of Chief Counsel provide in 1990-99, including guidance provided in

- **IRS’ Cumulative Bulletin,**
- **Actions on Decisions (AODs),**
- **Private Letter Rulings (PLRs),**
- **Technical Advice Memoranda (TAMs),**
- **Field Service Advice (FSAs),**
- **Office Memoranda (OMs), and**
- **General Counsel Memoranda (GCMs)?**

The Internal Revenue Cumulative Bulletin is an annual compilation of items from the weekly Internal Revenue Bulletins. The Cumulative Bulletins we reviewed contained 21 different categories of information. Table I.2 shows the number of issues for each type of guidance in calendar years 1990-98, the most recent Cumulative Bulletin available at the time we did our work.

Table I.2: Amount of IRS Guidance Published in Cumulative Bulletins, Calendar Years 1990-98

Type of guidance	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Revenue Rulings	112	70	112	94	82	85	65	57	62	739
Revenue Procedures	67	74	108	53	81	58	66	61	65	633
Notices	75	44	61	60	103	67	68	77	67	622
Treasury Decisions	47	54	74	49	72	58	58	52	50	514
Proposed Regulations	48	83	67	57	53	49	49	46	53	505
Announcements									114	114
Delegation Orders	8	9	13	6	10	2	5	3		56
Tax Conventions	10	7	1		1	1	4	1	1	26
Railroad Retirement Quarterly Rates	2	2	2	3	3	3	2	2	2	21
Public Laws	4	3	7	1	1	2		2		20
Court Decisions	4	3		4			3	2	3	19
Social Security Contribution & Benefit Base	1	1	1	1	1	1	1	1		8
Summaries of Disciplinary Actions ^a		3	1							4
Treasury Directives		1				2				3
Treasury Orders			1		1	1				3
Statement of Procedural Rules		1	1							2
Committee Reports (Conference)		1		1						2
Executive Orders		1								1
Bank Secrecy Act Regulations			1							1
Committee Reports (House)						1				1
Social Security Coverage Threshold								1		1
Total	378	357	450	329	408	330	321	305	417	3295

^aAccording to IRS officials, these are summaries of public hearings held to decide whether tax practitioners should be disciplined for mishandling taxpayer accounts
 Source: GAO analysis of IRS Cumulative Bulletins.

Enclosure I

Table I.3 shows IRS data for calendar years 1990-99 on selected types of guidance not included in IRS Cumulative Bulletins, as agreed with JCT staff.

Table I.3: Number of Issuances for Selected Types of Guidance, Calendar Years 1990-99

Year	Amount of guidance issued					
	AODs	PLRs	TAMs	FSAs	OMs	GCMs
1999	^a	2060	115	423	0	0
1998	7	2222	119	258	0	0
1997	7	2052	149	292	0	0
1996	10	2022	154	220	1	2
1995	10	2036	153	300	0	2
1994	7	2068	161	397	0	2
1993	7	2211	173	491	1	1
1992	5	2273	253	399	4	14
1991	7	2586	201	150	8	33
1990	20	3456	124	195	25	30
Total	80	22986	1602	3125	39	84

^aData not available.

Source: IRS Office of Chief Counsel data.

Question 5: How many words and pages are contained in the most recent set of regulations?

IRS Regulations contained 8,551,444 words and 19,653 pages as of June 2000. We defined a word as any string of characters or digits separated from others by a space. We used an electronic version of the regulations published by Tax Analysts, which did not include page numbers. Our page count was derived by converting the Tax Analysts version into Microsoft Word format, with a font setting of 10.

IRS Forms, Schedules, Publications, and Worksheets

Question 6: What IRS forms and schedules existed in 1999? Provide a list broken down by IRS' four divisions and including the number of lines for each form or schedule and the length of the instructions (by number of pages) for each form or schedule. Also, list all IRS publications, including the number of pages for each publication in 1999.

The complexity of the tax system is to some degree reflected in the number of IRS tax forms, schedules, instructions, publications, and the pages or lines they contain. However, these numbers are not necessarily indicative of the compliance burden on a particular taxpayer. For example, certain forms, such as form 1040EZ, add to the total numbers but are intended to simplify compliance for some taxpayers.

IRS tax forms are not arranged in a consistent manner throughout. Thus, it was not possible to develop a consistent procedure for determining the number of lines requesting information from taxpayers on each form. However, most forms are broken out into distinct sections that are often labeled "Part" or "Schedule." The sections are normally followed by a series of numbers or letters that designate each piece of information requested on the form. In turn, the letters or numbers may have a subcategory of letters or numbers where information is requested, and so on. In effect, the letters or numbers create "levels" of information. We only counted only down to the second level of requested information. For instance, if a form had part I with a line 3, line 3a and line 3a(1), we only counted the lines marked 3 or 3a. Some forms contained no parts, schedules, letters, or numbers and asked for only few pieces of information from taxpayers. In these cases, we determined and counted the distinct types information requested. We did not count (1) identifier types of information, such as name, address, and social security number, or (2) the signature block on each form unless the form was a request for a signature.

Table II.1 provides a list of 649 IRS forms with associated instructions and schedules for the tax year 1999. Foreign language forms have been omitted. The table also includes information on the number of pages in separately published instructions, the number of lines per form (about 16,100 in total), whether instructions are included in forms and schedules rather than published separately, and the IRS divisions to which the forms or schedules apply. We did not attempt to count the number of pages of instructions included in forms and schedules because they were often interspersed throughout the documents.

Table II.1 Tax Year 1999 Forms, Instructions, and Schedules

Product		Name of form, instruction, or schedule		Number of pages of instructions		Number of lines per form		Instructions in IRS division	
No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Number of lines per form	Number of lines per form	Number of lines per form	Instructions in IRS division	Instructions in IRS division
1	Form CT-1	Employer's Annual Railroad Retirement Tax Return			21			SB,TE	
2	Instr CT-1	Instructions	6						
3	Form CT-2	Employee Representative's Quarterly Railroad Tax Return			6			X	WI
4	Form SS-4	Application for Employer Identification Number			22			X	WI,SB,LB,TE

IRS Division: Wage & Investment (WI), Small Business (SB), Large Business (LB), Tax Exempt/ Government Entity (TE)

Enclosure II

No. type	Product	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
5 Form		SS-8	Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding		64		WI,SB,LB,TE
6 Form		SS-16	Certificate of Election of Coverage		1	X	TE
7 Form		T (Timber)	Forest Activities Schedules		104	X	WI,SB,LB
8 Form		W-2	Wage and Tax Statement		27		WI,SB,LB,TE
9 Instr		W-2	Instructions	12			
10 Instr		W-2 and W-3	Instructions	12			
11 Form		W-2C	Corrected Wage and Tax Statement		26	X	WI,SB,LB,TE
12 Instr		W-2c and W-3c	Instructions	4			
13 Form		W-2G	Certain Gambling Winnings		14		WI,SB,LB,TE
14 Instr		W-2G & 5754	Instructions	4			
15 Form		W-3	Transmittal of Income and Tax Statements		24		WI,SB,LB,TE
16 Form		W-3C	Transmittal of Corrected Income and Tax Statements		32		WI,SB,LB,TE
17 Form		W-3SS	Transmittal of Wage and Tax Statements		24	X	WI,SB,LB,TE
18 Form		W-4	Employee's Withholding Allowance Certificate		37	X	WI
19 Form		W-4P	Withholding Certificate for Pension or Annuity Payments		29	X	WI
20 Form		W-4S	Request for Federal Income Tax Withholding from Sick Pay		12	X	WI
21 Form		W-4V	Voluntary Withholding Request		7	X	WI
22 Form		W-5	Earned Income Credit Advance Payment Certificate		5	X	WI
23 Form		W-7	Application for IRS Individual Taxpayer Identification Number		6	X	WI
24 Form		W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions		5	X	WI
25 Form		W-7P	Application for Preparer Tax Identification Number		3	X	^a
26 Form		W-8	Certificate of Foreign Status		2	X	WI,SB,LB,TE
27 Instr		W-8	Instructions for the Requester of forms W-8BEN, W-8ECI, W-8EXP, W-8IMY	5			WI,SB,LB,TE
28 Form		W-8BEN	Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding		15		^a
29 Instr		W-8BEN	Instructions	5			
30 Form		W-8ECI	Certificate of Foreign Person's Claim for Exemption From Withholding on Income Effectively Connected With the Conduct of a Trade or Business in the US		9		^a
31 Instr		W-8ECI	Instructions	5			^a
32 Form		W-8EXP	Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding		15		^a
33 Instr		W-8EXP	Instructions	5			
34 Form		W-8IMY	Certificate of Foreign Intermediary, Foreign Partnership, or		23		^a

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
35	Instr W-8IMY	Certain U.S. Branches for United States Tax Withholding Instructions				
36	Form W-9	Request for Taxpayer Identification Number and Certification		3		WI,SB,LB,TE
37	Instr W-9	Instructions	2			
38	Form W-9S	Request for Student's or Borrower's Social Security Number and Certification		3	X	WI
39	Form W-10	Dependent Care Provider's Identification and Certification		2	X	WI,SB,LB
40	Form 11C	Occupational Tax and Registration Return for Wagering		9	X	WI,SB,LB,TE
41	Form 23	Application for Enrollment to Practice Before the Internal Revenue Service		30		
42	Form 56	Notice Concerning Fiduciary Relationship		17	X	WI,SB,LB,TE
43	Form 56F	Notice Concerning Fiduciary Relationship of Financial Institution		29	X	TE
44	Form TD F 90-22.1	Report of Foreign Bank and Financial Accounts		37	X	
45	Form TD F 90-22.47	Suspicious Activity Report		71	X	
46	Form TD F 90-22.53	Designation of Exempt Person		25	X	
47	Form 433-A	Collection Information for Individuals		77		
48	Form 433-B	Collection Information for Business		48		
49	Form 637	Application for Registration (For Certain Excise Tax Activities)		81	X	WI,SB,LB,TE
50	Form 656	Offer in Compromise		10	X	
51	Form 656-A	Additional Basis for Compromise		1	X	
52	Form 673	Statement for Claiming Benefits Provided by Section 911 of the Internal Revenue Code		3	X	
53	Form 706	United States Estate (and Generation-Skipping Transfer) Tax Return		118		WI
54	Instr 706	Instructions	26			
55	Form 706A	United States Additional Estate Tax Return		44		WI
56	Instr 706A	Instructions	4			
57	Form 706CE	Certification of Payment of Foreign Death Tax		9	X	TE
58	Form 706GS(D)	Generation-Skipping Transfer Tax Return for Distributions		20		WI
59	Instr 706GS(D)	Instructions	3			
60	Form 706GS(D-1)	Notification of Distribution From a Generation-Skipping Trust		14		SB
61	Instr 706GS(D-1)	Instructions	5			
62	Form 706GS(T)	Generation-Skipping Transfer Tax Return for Terminations		17		SB
63	Instr 706GS(T)	Instructions	6			
64	Form 706NA	United States Estate (and Generation-Skipping Transfer) Tax Return		71		WI

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
65 Instr	706NA	Instructions	4			
66 Form	706QDT	United States Estate Tax Return for Qualified Domestic Trusts	4	83		SB
67 Instr	706QDT	Instructions				
68 Form	709	United States Gift (and Generation-Skipping Transfer) Tax Return		98		WI
69 Instr	709	Instructions	8			
70 Form	709A	United States Short Form Gift Tax Return		14	X	WI
71 Form	712	Life Insurance Statement		65	X	SB,TE
72 Form	720	Quarterly Federal Excise Tax Return		135		WI,SB,LB
73 Instr	720	Instructions	12			
74 Sched	720 (Sched C)	Supporting Statements for Adjustments and Claims		35		^a
75 Form	730	Tax on Wagering		8	X	WI,SB,LB,TE
76 Form	843	Claim for Refund and Request for Abatement		7		WI,SB,LB
77 Instr	843	Instructions	2			
78 Form	907	Agreement to Extend the Time to Bring Suit		1	X	^a
79 Form	926	Return by a U.S. Transferor of Property to a Foreign Corporation		17		WI,SB,LB,TE
80 Instr	926	Instructions	2			
81 Form	928	Fuel Bond		3	X	^a
82 Form	940	Employer's Annual Federal Unemployment (FUTA) Tax Return		28		WI,SB,LB,TE
83 Instr	940	Instructions	6			
84 Form	940 EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return		16		WI,SB,LB,TE
85 Instr	940 EZ	Instructions	5			
86 Form	941	Employer's Quarterly Federal Tax Return		24		WI,SB,LB,TE
87 Instr	941	Instructions	4			
88 Sched	941 (Sched B)	Employer's Record of Federal Tax Liability		3	X	WI,LB,TE
89 Form	941C	Supporting Statement to Correct Information		25	X	WI,SB,LB,TE
90 Form	941M	Employer's Monthly Federal Tax Return		22	X	WI,SB,LB,TE
91 Form	941SS	Employer's Quarterly Federal Tax Return		17	X	WI,SB,LB,TE
92 Form	943	Employer's Annual Tax Return for Agricultural Employees		15		WI,SB,LB,TE
93 Instr	943	Instructions	3			
94 Form	943A	Agricultural Employer's Record of Federal Tax Liability		13	X	WI,SB,LB,TE
95 Form	945	Annual Return of Withheld Federal Income Tax		20		WI,SB,LB,TE
96 Instr	945	Instructions	4			
97 Form	945A	Annual Record of Federal Tax Liability		13	X	WI,SB,LB,TE
98 Form	952	Consent to Extend Period of Limitation on Assessment of		1	X	SB,TE

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
		Income Taxes				
99 Form	966	Corporate Dissolution or Liquidation		15	X	SB, LB
100 Form	970	Application to Use LIFO Inventory Method		20	X	WI, SB, LB, TE
101 Form	972	Consent of Shareholder to Include Specific Amount in Gross Income		4	X	WI, SB, LB, TE
102 Form	973	Corporation Claim for Deduction for Consent Dividends		4	X	SB, LB
103 Form	976	Claim for Deficiency Dividends Deductions by a Personal Holding Company, Regulated Investment Company, or Real Estate Investment Trust		17	X	SB, LB
104 Form	982	Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)		19	X	WI, SB, LB
105 Form	990	Return of Organization Exempt from Income Tax		207		TE
106 Instr	990, 990EZ	Instructions	40			
107 Sched	990 (Sched A)	Organization Exempt Under Section 501(c)(3)		146		TE
108 Instr	990 (Sched A)	Instructions	8			
109 Form	990BL	Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons		55		TE
110 Instr	990BL	Instructions	4			
111 Form	990C	Farmers' Cooperative Association Income Tax Return		202		SB, LB, TE
112 Instr	990C	Instructions	16			
113 Form	990EZ	Short Form Return of Organization Exempt from Income Tax		72		TE
114 Form	990PF	Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation		293		TE
115 Instr	990PF	Instructions	28			
116 Form	990T	Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))		134		SB, LB, TE
117 Instr	990T	Instructions	19			
118 Form	990W	Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations		72	X	SB, LB, TE
119 Form	1000	Ownership Certificate		2		WI, SB, LB, TE
120 Form	1001	Ownership, Exemption, or Reduced Rate Certificate		20	X	WI, SB, LB, TE
121 Form	1028	Application for Recognition of Exemption Under Section 521 of the Internal Revenue Code		98		SB, LB, TE
122 Instr	1028	Instructions	2			
123 Form	1040	U.S. Individual Income Tax Return		79		WI, SB
124 Instr	1040	Instructions	72			
125 Instr	1040 (Tax Tables)	Instructions	13			

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
126 Instr	1040	General Instructions	59			
127 Sched	1040 (Sched A&B)	Itemized Deductions and Interest & Dividend Income		37		WI, SB
128 Instr	1040 (Sched A&B)	Instructions	13			
129 Sched	1040 (Sched C)	Profit or Loss from Business (Sole Proprietorship)		69		WI, SB
130 Instr	1040 (Sched C)	Instructions	9			
131 Sched	1040 (Sched C EZ)	Net Profit from Business (Sole Proprietorship)		26		WI, SB
132 Sched	1040 (Sched D)	Capital Gains and Losses		65		WI, SB
133 Instr	1040 (Sched D)	Instructions	7			
134 Sched	1040 (Sched D-1)	Continuation Sheet for Schedule D (Form 1040)		14		WI, SB
135 Sched	1040 (Sched E)	Supplemental Income and Loss		63		WI, SB
136 Instr	1040 (Sched E)	Instructions	6			
137 Sched	1040 (Sched EIC)	Earned Income Credit		7	X	WI, SB
138 Sched	1040 (Sched F)	Profit or Loss From Farming		74		WI, SB
139 Instr	1040 (Sched F)	Instructions	7			
140 Sched	1040 (Sched H)	Household Employment Taxes		40		WI, SB
141 Instr	1040 (Sched H)	Instructions	8			
142 Sched	1040 (Sched J)	Farm Income Averaging		22		WI, SB
143 Instr	1040 (Sched J)	Instructions	4			
144 Sched	1040 (Sched R)	Credit for the Elderly or the Disabled		24		WI, SB
145 Instr	1040 (Sched R)	Instructions	4			
146 Sched	1040 (Sched SE)	Self-Employment Tax		28		WI, SB
148 Form	1040A	U.S. Individual Income Tax Return		55		WI
149 Instr	1040A	Instructions	65			
150 Sched	1040A (Sched 1)	Interest and Ordinary Dividends for Form 1040A Filers		6		WI
151 Sched	1040A (Sched 2)	Child and Dependent Care Expenses for Form 1040A Filers		29		WI
152 Sched	1040A (Sched 3)	Credit for the Elderly or the Disabled for Form 1040A Filers		24		WI
153 Instr	1040A (Sched 3)	Instructions	5			
154 Form	1040C	U.S. Departing Alien Income Tax Return		75		WI
155 Instr	1040C	Instructions	6			
156 Form	1040ES	Estimated Tax for Individuals		26	X	WI, SB
157 Form	1040ES (NR)	U.S. Estimated Tax for Nonresident Alien Individuals		28	X	WI
158 Form	1040EZ	Income Tax Return for Single and Joint Filers With No Dependents		14		WI

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
159 Instr	1040EZ	Instructions	32			
160 Form	1040NR	U.S. Nonresident Alien Income Tax Return		129		a
161 Instr	1040NR	Instructions	32			
162 Form	1040NR EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents		40		WI
163 Instr	1040NR EZ	Instructions	12			
164 Form	1040SS	U.S. Self-Employment Tax Ret Payment Voucher		122	X	a
165 Form	1040 V	Amended U.S. Individual Income Tax Return		5	X	a
166 Form	1040 X	Instructions	6	38		a
167 Instr	1040X	Instructions				
168 Form	1041	U.S. Income Tax Return for Estates and Trusts		166		SB
169 Instr	1041	Instructions	32			
170 Sched	1041 (Sched D)	Capital Gains and Losses		66		SB
171 Sched	1041 (Sched J)	Accumulation Distribution for a Complex Trust		37		SB
172 Sched	1041 (Sched K-1)	Beneficiary's Share of Income, Deductions, Credits, etc.		38	X	SB
173 Form	1041A	U.S. Information Return Trust Accumulation of Charitable Amounts		58	X	SB
174 Form	1041ES	Estimated Income Tax for Estates and Trusts		57		SB
175 Instr	1041ES (OCR)	Instructions	4			
176 Form	1041 QFT	U.S. Income Tax Return for Qualified Funeral Trusts		26	X	SB
177 Form	1041 T	Allocation of Estimated Tax Payments to Beneficiaries		7	X	SB
178 Form	1042	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons		74	X	WI,SB,LB
179 Form	1042 S	Foreign Person's U.S. Source Income Subject to Withholding		22		WI,SB,LB
180 Instr	1042 S	Instructions	7			
181 Form	1045	Application for Tentative Refund		251		WI, SB
182 Instr	1045	Instructions	6			
183 Form	1065	U.S. Partnership Return of Income		162		SB,LB
184 Instr	1065	Instructions	32			
185 Sched	1065 (Sched D)	Capital Gains and Losses		23		SB,LB
186 Sched	1065 (Sched K1)	Partner's Share of Income, Credits, Deductions, etc.		60		SB,LB
187 Instr	1065 (Sched K1)	Instructions	11			
188 Form	1065 B	U.S. Return of Income for Electing Large Partnerships		190		SB,TE
189 Instr	1065 B	Instructions	25			
190 Sched	1065 B (Sched K1)	Partner's Share of Income (Loss) From an Electing Large Partnership		9		SB,TE

Enclosure II

No. type	Product	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
191 Instr		1065 B (Sched K1)	Instructions	9			
192 Form		1066	U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return		97		SB,TE
193 Instr		1066	Instructions	8			
194 Sched		1066 (Sched Q)	Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation		22	X	SB,TE
195 Form		1078	Certificate of Alien Claiming Residence in the U.S		1	X	WI
196 Form		1096	Annual Summary and Transmittal of U.S. Information Returns		6	X	WI,SB,LB,TE
197 Form		1098	Mortgage Interest Statement		4		WI,SB,LB,TE
198 Instr		1098	Instructions	4			
199 Form		1098 E	Student Loan Interest Statement		1		SB,LB,TE
200 Instr		1098 E & 1098 T	Instructions	2			
201 Form		1098 T	Tuition Payments Statement		4	X	TE
202 Instr		1099	General Instructions	16			
203 Form		1099A	Acquisition or Abandonment of Secured Property		6		WI,SB,LB,TE
204 Instr		1099A & 1099C	Instructions	4			
205 Form		1099B	Proceeds from Broker and Barter Exchange Transactions		9		WI,SB,LB
206 Instr		1099B	Instructions	2			
207 Form		1099C	Cancellation of Debt		7	X	SB,LB,TE
208 Form		1099DIV	Dividends and Distributions		9		SB,LB
209 Instr		1099DIV	Instructions	2			
210 Form		1099G	Certain Government and Qualified State Tuition Program Payments		8		^a
211 Instr		1099G	Instructions	2			
212 Form		1099INT	Interest Income		7		WI,SB,LB,TE
213 Instr		1099INT & 1099OID	Instructions	4			
214 Form		1099LTC	Long Term Care and Accelerated Death Benefits		4		WI,SB,LB,TE
215 Instr		1099LTC	Instructions	2			
216 Form		1099MISC	Miscellaneous Income		13		WI,SB,LB,TE
217 Instr		1099MISC	Instructions	6			
218 Form		1099MSA	Distributions From an MSA or Medicare+Choice MSA		5		SB,LB,TE
219 Instr		1099MSA & 5498MSA	Instructions	2			
220 Form		1099OID	Original Issue Discount		7		WI,SB,LB,TE
221 Form		1099PATR	Taxable Distributions Received From Cooperatives		9		SB,LB,TE

Enclosure II

No. type	Product	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
222 Instr		1099PATR	Instructions	1			
223 Form		1099R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.		15		WI,SB,LB,TE
224 Instr		1099R & 5498	Instructions	19			
225 Form		1099S	Proceeds from Real Estate Transactions		5		WI,SB,LB,TE
226 Instr		1099S	Instructions	4			
227 Form		1116	Foreign Tax Credit (Individual, Estate, Trust, or Nonresident Alien Individual)		51		WI,SB,LB
228 Instr		1116	Instructions	12			
229 Form		1118	Foreign Tax Credit - Corporations		147		SB,LB,TE
230 Instr		1118	Instructions	12			
231 Sched		1118 (Sched I)	Reduction of Oil and Gas Extraction Taxes		20		SB,LB,TE
232 Sched		1118 (Sched J)	Adjustments to Separate Limitation Income (Loss) Categories for Determining Numerators of Limitation Fractions, Year-End Recharacterization Balances, and Overall Foreign Loss Account Balances		47		SB,LB,TE
233 Form		1120	U.S. Corporation Income Tax Return		188		SB,LB
234 Instr		1120/1120A	Instructions	24			
235 Sched		1120 (Sched D)	Capital Gains and Losses		18		SB,LB
236 Sched		1120 (Sched PH)	U.S. Personal Holding Company (PHC) Tax		51		SB,LB
237 Instr		1120 (Sched PH)	Instructions	4			
238 Form		1120A	U.S. Corporation Short-Form Income Tax Return		98		SB
239 Form		1120F	U.S. Income Tax Return of a Foreign Corporation		276		SB,LB
240 Instr		1120F	Instructions	20			
241 Form		1120FSC	U.S. Income Tax Return of a Foreign Sales Corporation		242		SB,LB
242 Instr		1120FSC	Instructions	16			
243 Sched		1120 (Sched P)	Transfer Price or Commission		35		SB,LB
244 Instr		1120 (Sched P)	Instructions	2			
245 Form		1120H	U.S. Income Tax Return for Homeowners Associations		37		SB
246 Sched		1120 (Sched H)	Section 280H Limitations for a Personal Service Corporation (PSC)		23		^a
247 Form		1120IC DISC	Interest Charge Domestic International Sales Corporation Return		231		SB,LB
248 Instr		1120IC DISC	Instructions	16			
249 Sched		1120IC DISC (Sched K)	Shareholder's Statement of IC-DISC Distributions		13		SB,LB
250 Sched		1120IC DISC	Inter-company Transfer Price or Commission		42		SB,LB

Enclosure II

No.	Product type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
251	Sched	1120IC DISC (Sched Q)	Borrower's Certificate of Compliance With the Rules for Producer's Loan		1		SB, LB
252	Form	1120L	U.S. Life Insurance Company Income Tax Return		341		SB, TE
253	Instr	1120L	Instructions	18			
254	Form	1120ND	Return for Nuclear Decommissioning Funds and Certain Related Persons		65		SB, TE
255	Instr	1120ND	Instructions	4			
256	Form	1120PC	U.S. Property and Casualty Insurance Company Income Tax Return		316		SB, TE
257	Instr	1120PC	Instructions	18			
258	Form	1120POL	U.S. Income Tax Return for Certain Political Organizations		35	X	SB
259	Form	1120REIT	U.S. Income Tax Return for Real Estate Investment Trusts		169		SB, LB
260	Instr	1120REIT	Instructions	16			
261	Form	1120RIC	U.S. Income Tax Return for Regulated Investment Companies		169		SB, LB
262	Instr	1120RIC	Instructions	11			
263	Form	1120S	Income Tax Return for an S Corporation		171		SB, LB
264	Instr	1120S	Instructions	28			
265	Sched	1120S (Sched D)	Capital Gains and Losses and Built-in Gains		32		SB, LB
266	Instr	1120S (Sched D)	Instructions	4			
267	Sched	1120S (Sched K1)	Shareholder's Share of Income, Credits, Deductions, etc.		52		SB, LB
268	Instr	1120S (Sched K1)	Instructions	8			
269	Form	1120 SF	U.S. Income Tax Return for Settlement Funds (Under Section 468B)		46		SB, LB
270	Instr	1120 SF	Instructions	4			
271	Form	1120 W	Estimated Tax for Corporations		72	X	SB, LB
272	Form	1120X	Amended U.S. Corporation Income Tax Return		18	X	SB, LB
273	Form	1122	Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return		1		SB, TE
274	Form	1127	Application for Extension of Time for Payment of Tax		1	X	^a
275	Form	1128	Application to Adopt, Change or Retain a Tax Year		60		WI, SB, LB, TE
276	Instr	1128	Instructions	4			
277	Form	1138	Extension of Time For Payment of Taxes By a Corporation Expecting a Net Operating Loss Carryback		8	X	SB, LB

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
278 Form	1139	Corporation Application for Tentative Refund		51		SB, LB
279 Instr	1139	Instructions	4			
280 Form	1310	Statement of Person Claiming Refund Due a Deceased Taxpayer		7	X	WI
281 Form	1363	Export Exemption Certificate		1	X	WI, SB, LB, TE ^a
282 Form	1914	Computation of Allowable MACRS/ACRS/Depreciation Deduction		1		
283 Form	2032	Contract Coverage Under Title II of the Social Security Act		5	X	WI, SB, LB, TE
284 Form	2063	U.S. Departing Alien Income Tax Statement		17		WI
285 Form	2106	Employee Business Expenses		42		WI
286 Instr	2106	Instructions	4			
287 Form	2106 EZ	Unreimbursed Employee Business Expenses		17	X	WI
288 Form	2120	Multiple Support Declaration		1	X	WI
289 Form	2210	Underpayment of Estimated Tax by Individuals, Estates and Trusts		71		WI, SB
290 Instr	2210	Instructions	6			
291 Form	2210F	Underpayment of Estimated Tax By Farmers and Fishermen		20	X	WI, SB
292 Form	2220	Underpayment of Estimated Tax By Corporations		82	X	SB, LB, TE
293 Form	2290	Heavy Highway Vehicle Use Tax Return		10		WI, SB, LB, TE
294 Instr	2290	Instructions	8			
295 Form	2350	Application for Extension of Time to File U.S. Income Tax Return		11	X	WI, SB
296 Form	2438	Undistributed Capital Gains Tax Return		14	X	SB, LB
297 Form	2439	Notice to Shareholder of Undistributed Long Term Capital Gains		5	X	SB, LB
298 Form	2441	Child and Dependent Care Expenses		24		WI
299 Instr	2441	Instructions	3			
300 Form	2553	Election by a Small Business Corporation		19		SB, LB
301 Instr	2553	Instructions	2			
302 Form	2555	Foreign Earned Income		63		WI
303 Instr	2555	Instructions	4			
304 Form	2555 EZ	Foreign Earned Income Exclusion		28		WI
305 Instr	2555 EZ	Instructions	3			
306 Form	2587	Application for Special Enrollment Examination		8	X	^a
307 Form	2678	Employer Appointment of Agent		10	X	^a
308 Form	2688	Application for Additional Extension of Time To File U.S. Individual Income Tax Return		4	X	WI, SB

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
309 Form	2758	Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns		8	X	WI,SB,LB,TE
310 Form	2848	Power of Attorney and Declaration of Representative		13		WI,SB,LB,TE
311 Instr	2848	Instructions	4			
312 Form	3115	Application for Change in Accounting Method		160		WI,SB,LB,TE
313 Instr	3115	Instructions	4			
314 Form	3206	Information Statement By United Kingdom Withholding Agents Paying Dividends from U.S. Corporations to Residents of the United States and Certain Treaty Countries		15	X	SB,LB
315 Form	3468	Investment Credit		28		^a
316 Instr	3468	Instructions	4			WI,SB,LB
317 Form	3491	Consumer Cooperative Exemption Application		10	X	TE
318 Form	3520	Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts		89		WI,SB,LB,TE
319 Instr	3520	Instructions	13			
320 Form	3520 A	Annual Information Return of Foreign Trust With a U.S. Owner		146		SB
321 Instr	3520 A	Instructions	4			
322 Form	3621	Net Operating Loss Computation-Individuals, Corporations, and Estates and Trusts		30		^a
323 Form	3621 A	Computation of Net Operating Loss Deduction for Intervening Years Modifications		15		^a
324 Form	3800	General Business Credit		64		WI,SB,LB,TE
325 Instr	3800	Instructions	2			
326 Form	3903	Moving Expenses		5	X	WI
327 Form	3911	Taxpayer Statement Regarding Refund		13		^a
328 Form	3975	Tax Professionals Annual Mailing List Application and Order Blank		6		^a
329 Form	4029	Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits		2	X	WI
330 Form	4136	Credit For Federal Tax Paid On Fuels		25	X	WI,SB,LB,TE
331 Form	4137	Social Security and Medicare Tax On Unreported Tip Income		14	X	WI
332 Form	4224	Exemption From Withholding of Tax On Income Effectively Connected With the Conduct of Trade or Business in the U.S.		1	X	WI,SB,LB,TE
333 Form	4255	Recapture of Investment Credit		14	X	WI,SB,LB,TE
334 Form	4361	Application for Exemption From Self-Employment Tax for Use By Ministers, Members of Religious Orders and Christian		7	X	WI

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
335 Form	4419	Science Practitioners Application for Filing Information Returns Magnetically/Electronically		10	X	^a
336 Form	4461	Application for Approval of Master or Prototype and Regional Prototype Defined Contribution Plan		45	X	TE
337 Form	Form	Application for Approval of Master or Prototype and Regional Prototype Defined Benefit Plan		44	X	TE
338 Form	4461 B	Application for Approval of Master or Prototype Plan or Regional Prototype Plan (Mass Submitter Adopting Sponsor)		16	X	TE
339 Form	4466	Corporation Application for Quick Refund of Overpayment of Estimated Tax		9	X	SB, LB
340 Form	4506	Request for Copy or Transcript of Tax Form		14	X	WI, SB, LB, TE
341 Form	4506 A	Request for Public Inspection or Copy of Exempt Organization Tax Form		8	X	WI, SB, LB, TE
342 Form	4562	Depreciation and Amortization		42		WI, SB, LB, TE
343 Instr	4562	Instructions	11			
344 Form	4563	Exclusion of Income for Bona Fide Residents of American Samoa		17	X	WI
345 Form	4626	Alternative Minimum Tax – Corporations		39		SB, TE
346 Instr	4626	Instructions	11			
347 Form	4684	Casualties and Thefts		40		WI, SB, LB, TE
348 Instr	4684	Instructions	4			
349 Form	4720	Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code		113		TE
350 Instr	4720	Instructions	8			
351 Form	4768	Application for Extension of Time To File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes		8	X	WI, SB
352 Form	4782	Employee Moving Expense Information		4	X	^a
353 Form	4789	Currency Transaction Report		49	X	SB, LB
354 Form	4790	Report of International Transportation of Currency or Monetary Instruments		27	X	^a
355 Form	4797	Sales of Business Property		53		WI, SB, LB, TE
356 Instr	4797	Instructions	4			
357 Form	4802	Transmittal of Information Returns Reported Magnetically/Electronically (Continuation of Form 4804)		5		^a

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
358 Form	4804	Transmittal of Information Returns Reported Magnetically/Electronically		10	X	^a
359 Form	4835	Farm Rental Income and Expenses		47	X	WI,SB,LB
360 Form	4852	Substitute for Form W-2, Wage and Tax Statement, or Form 1099R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA's Insurance Contracts, Etc.		20		^a
361 Form	4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Return		10	X	WI, SB
362 Form	4876 A	Election to Be Treated as an Interest Charge DISC		23	X	SB,LB
363 Form	4952	Investment Interest Expense Deduction		13	X	WI, SB
364 Form	4970	Tax on Accumulation Distribution of Trusts		51	X	WI,SB,LB
365 Form	4972	Tax on Lump-Sum Distributions		39		WI
366 Instr	4972	Instructions	4			
367 Form	4996	Electronic/Magnetic Media Filing Transmittal for Wage and Withholding Tax Returns		11		^a
368 Form	5074	Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands (CNMI)		32	X	WI
369 Form	5213	Election to Postpone Determination As To Whether the Presumption Applies That an Activity is Engaged in for Profit		3	X	WI, SB
370 Form	5227	Split-Interest Trust Information Return		98		SB
371 Instr	5227	Instructions	8			
372 Form	5300	Application for Determination for Employee Benefit Plan		50		TE
373 Instr	5300	Instructions	4			
374 Sched	5300 (Sched Q)	Nondiscrimination Requirements		41		TE
375 Instr	5300 (Sched Q)	Instructions	7			
376 Form	5303	Application for Determination for Collectively Bargained Plan (Info Copy Only)		47		TE
377 Instr	5303	Instructions	4			
378 Form	5304 Simple	Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)		7	X	TE
379 Form	5305	Traditional Individual Retirement Trust Account		8	X	TE
380 Form	5305 E	Education Individual Retirement Trust Account		10	X	TE
381 Form	5305 EA	Education Individual Retirement Custodial Account		10	X	TE
382 Form	5305 R	Roth Individual Retirement Trust Account		9	X	TE
383 Form	5305 RA	Roth Individual Retirement Custodial Account		9	X	TE
384 Form	5305 RB	Roth Individual Retirement Annuity Endorsement		9	X	^a

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
385 Form	5035 S	SIMPLE Individual Retirement Trust Account		8	X	TE
386 Form	5305 A	Traditional Individual Retirement Custodial Account		8	X	TE
387 Form	5305 SA	SIMPLE Individual Retirement Custodial Account		8	X	TE
388 Form	5305A SEP	Salary Reduction and Other Elective Simplified Employee Pension –Individual Retirement Accounts Contribution Agreement		7	X	^a
389 Form	5305 SEP	Simplified Employee Pension - Individual Retirement Accounts Contribution Agreement		2	X	TE
390 Form	5305 SIMPLE	Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)		7	X	TE
391 Form	5306	Application for Approval of Prototype or Employer Sponsored Individual Retirement Account		28	X	TE
392 Form	5306 SEP	Application for Approval of Prototype Simplified Employee Pension		18	X	TE
393 Form	5307	Application for Determination for Adopters of Master or Prototype, Regional Prototype or Volume Submitter Plans		40		TE
394 Instr	5307	Instructions	3			
395 Form	5308	Request for Change in Plan/Trust Year		10	X	TE
396 Form	5309	Application for Determination of Employee Stock Ownership Plan		25	X	TE
397 Form	5310	Application for Determination Upon Termination (Info Copy Only)		113		TE
398 Instr	5310	Instructions	4			
399 Form	5310 A	Notice of Plan Merger or Consolidation, Spinoff, or Transfer of Plan Assets or Liabilities; Notice of Qualified Separate Lines of Business		28		TE
400 Instr	5310 A	Instructions	4			
401 Form	5329	Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs		45		WI
402 Instr	5329	Instructions	6			
403 Form	5330	Return of Excise Taxes Related to Employee Benefit Plans		70		TE
404 Instr	5330	Instructions	6			
405 Form	5452	Corporate Report of Nondividend Distributions		5		SB,LB
406 Form	5471	Information Return of U.S. Persons With Respect To Certain Foreign Corporations		111		WI,SB,LB,TE
407 Instr	5471	Instructions	15			

Enclosure II

No. type	Product	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
408 Sched		5471 (Sched J)	Accumulated Earnings and Profits (E&P) of Controlled Foreign Corporation		10		WI,SB,LB,TE
409 Sched		5471 (Sched M)	Transactions Between Controlled Foreign Corporation and Shareholders or Other Related Persons		100		WI,SB,LB,TE
410 Sched		5471 (Sched N)	Return of Officers, Directors, and 10% Or More Shareholders of a Foreign Personal Holding Company		22		WI,SB,LB,TE
411 Sched		5471 (Sched O)	Organization or Reorganization of Foreign Corporation, and Acquisitions and Dispositions of Its Stock		34		WI,SB,LB,TE
412 Form		5472	Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business		63	X	SB,LB
413 Form		5498	IRA Contribution Information		10	X	SB,LB
414 Form		5498 MSA	MSA or Medicare+Choice MSA Information		6	X	SB,LB
415 Form		5500	Annual Return/Report of Employee Benefit Plan (with 100 or more participants)		142		TE
416 Instr		5500	Instructions	22			
417 Sched		5500 (Sched A)	Insurance Information		31		TE
418 Sched		5500 (Sched B)	Actuarial Information		105		TE
419 Instr		5500 (Sched B)	Instructions	8			
420 Sched		5500 (Sched C)	Service Provider and Trustee Information		14		TE
421 Sched		5500 (Sched E)	ESOP Annual Information		29		TE
422 Sched		5500 (Sched F)	Fringe Benefit Plan Annual Information Return		10		TE
423 Sched		5500 (Sched G)	Financial Schedules		53		TE
424 Sched		5500 (Sched P)	Annual Return of Fiduciary of Employee Benefit Trust		8		TE
425 Sched		5500 (Sched SSA)	Annual Registration Statement Identifying Separated Participants With Deferred Vested Benefits		19		TE
426 Form		5500 C/R	Return/Report of Employee Benefit Plan (With fewer than 100 participants)		166		TE
427 Instr		5500 C/R	Instructions	20			
428 Form		5500 EZ	Annual Return of One Participant (Owners and Their Spouses) Retirement Plan		37		TE
429 Instr		5500 EZ	Instructions	8			
430 Form		5558	Application for Extension of Time to File Certain Employee Plan Returns		5	X	TE
431 Form		5578	Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax		7	X	TE
432 Form		5712 A	Election and Verification of the Cost Sharing or Profit Split Method Under Section 936(h)(5)		18	X	SB,LB

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
433 Form	5713	International Boycott Report		54		SB, LB
434 Instr	5713	Instructions	7			
435 Sched	5713 (Sched A)	International Boycott Factor (Section 999(c)(1))		11		SB, LB
436 Sched	5713 (Sched B)	Specifically Attributable Taxes and Income (Section 999(c)(2))		7		SB, LB
437 Sched	5713 (Sched C)	Tax Effect of the International Boycott Provisions		10		SB, LB
438 Form	5735	Possessions Corporation Tax Credit (Under Sections 936 and 30A)		65		SB, LB
439 Instr	5735	Instructions	4			
440 Sched	5735 (Sched P)	Allocation of Income and Expenses Under Section 936(h)(5)		34		SB, LB
441 Form	5754	Statement by Person(s) Receiving Gambling Winnings		2	X	WI
442 Form	5768	Election/Revocation of Election By an Eligible Section 501(c)(3) Organization to Make Expenditures To Influence Legislation		2	X	TE
443 Form	5884	Work Opportunity Credit		26		SB, LB
444 Form	6069	Return of Excise Tax on Excess Contributions to Black Lung Benefit Trust Under Section 4953 and Computation of Section 192 Deduction		19	X	TE
445 Form	6088	Distributable Benefits From Employee Pension Benefit Plans		8	X	TE
446 Form	6118	Claim for Refund of Income Tax Return Preparer Penalties		10	X	SB, LB
447 Form	6177	General Assistance Program Determination		5	X	a
448 Form	6197	Gas Guzzler Tax		5	X	SB, TE
449 Form	6198	At-Risk Limitations		25		WI, SB, LB
450 Instr	6198	Instructions	8			
451 Form	6199	Certification of Youth Participating in a Qualified Cooperative Education Program		5	X	a
452 Form	6251	Alternative Minimum Tax - Individuals		64		WI, SB
453 Instr	6251	Instructions	8			
454 Form	6252	Installment Sale Income		42		WI, SB, LB
455 Instr	6252	Instructions	2			
456 Form	6406	Short Form Application for Determination for Minor Amendment of Employee Benefit Plan		19		TE
457 Instr	6406	Instructions	3			
458 Form	6466	Transmittal of Forms W-4 Reported Magnetically/Electronically		10	X	a
459 Form	6467	Transmittal of Forms W-4 Reported Magnetically/Electronically (Continuation)		3		a
460 Form	6478	Credit for Alcohol Used as Fuel		36	X	SB, LB
461 Form	6497	Information Return of Nontaxable Energy Grants or Subsidized Energy Financing		11	X	TE

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
462 Form	6559	Transmitter Report and Summary of Magnetic Media		11	X	^a
463 Form	6559 A	Continuation Sheet for Form 6559		1	X	^a
464 Form	6627	Environmental Taxes		17		SB,LB
465 Instr	6627	Instructions	4			
466 Form	6765	Credit for Increasing Research Activities		58		SB,LB
467 Instr	6765	Instructions	4			
468 Form	6781	Gains and Losses From Section 1256 Contracts and Straddles		33	X	WI,SB,LB
469 Form	7004	Application for Automatic Extension of Time to File Corporation Income Tax Return		12	X	SB,LB
470 Form	7018	Employer's Order Blank for Forms		1	X	^a
471 Form	8023	Corporate Qualified Stock Purchase Elections		49		SB,LB
472 Instr	8023	Instructions	5			
473 Form	8023 A	Corporate Qualified Stock Purchases		30		SB,LB
474 Form	8027	Employer's Annual Information Return of Tip Income and Allocated Tips		9		SB,LB
475 Instr	8027	Instructions	4			
476 Form	8027 T	Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips		1		SB,LB
477 Form	8038	Information Return for Tax-Exempt Private Activity Bond Issues		69		TE
478 Instr	8038	Instructions	4			
479 Form	8038G	Information Return for Tax-Exempt Governmental Obligations		45		TE
480 Instr	8038G	Instructions	2			
481 Form	8038GC	Information Return for Small Tax-Exempt Governmental Bond Issues, Leases and Installment Sales		13	X	TE
482 Form	8038T	Arbitrage Rebate and Penalty in Lieu of Arbitrage Rebate		39	X	TE
483 Form	8082	Notice of Inconsistent Treatment or Amended Return		15	X	WI,SB,LB
484 Instr	8082	Instructions	2			
485 Form	8160	Tax Package Postcard				WI
486 Form	8160 A	Form 1120/1120-A Tax Package Postcard				SB,LB
487 Form	8160 B	Form 1120S Tax Package Postcard				SB,LB
488 Form	8160 C	Form 1065 Package Postcard				SB,LB
489 Form	8160 E	Form 8160-E Tax Package Postcard (E-File)				^a
490 Form	8233	Exemption From Withholding on Compensation for Independent Personal Services of a Nonresident Alien Individual		12		WI
491 Instr	8233	Instructions				
492 Form	8264	Application for Registration of a Tax Shelter	2	114		SB,LB

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
493 Instr	8264	Instructions	8			
494 Form	8271	Investor Reporting of Tax Shelter Registration Number		3	X	WI,SB,LB
495 Form	8274	Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes		1	X	TE
496 Form	8275	Disclosure Statement		14		WI,SB,LB
497 Instr	8275	Instructions	2			
498 Form	8275 R	Regulation Disclosure Statement		15		WI,SB,LB
499 Instr	8275 R	Instructions	2			
500 Form	8279	Election To Be Treated as a FSC or as a Small FSC		12	X	SB,LB
501 Form	8281	Information Return for Publicly Offered Original Issue Discount Instruments		15	X	SB,LB
502 Form	8282	Donee Information Return (Sale, Exchange or Other Disposition of Donated Property)		19	X	WI,SB,LB
503 Form	8283	Noncash Charitable Contributions		29		WI,SB,LB
504 Instr	8283	Instructions	4			
505 Form	8288	U.S. Withholding Tax Return for Dispositions by Foreign Persons of U.S. Real Property Interests		13	X	SB,LB
506 Form	8288A	Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests		6	X	SB,LB
507 Form	8288B	Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests		18	X	SB,LB
508 Form	8300	Report of Cash Payments Over \$10,000 Received In a Trade or Business		45		SB,LB
509 Instr	8300 SP	Instructions	4			
510 Form	8308	Report of a Sale or Exchange of Certain Partnership Interests		3	X	WI,SB,LB
511 Form	8328	Carryforward Election of Unused Private Activity Bond Volume Cap		20	X	TE
512 Form	8329	Lender's Information Return for Mortgage Credit Certificates (MCCs)		9	X	SB,LB
513 Form	8330	Issuer's Quarterly Information Return for Mortgage Credit Certificates (MCCs)		9	X	SB,LB
514 Form	8332	Release of Claim to Exemption for Child of Divorced or Separated Parents		2	X	WI
515 Form	8362	Currency Transaction Report by Casinos		70	X	SB,TE
516 Form	8379	Injured Spouse Claim and Allocation		17		WI
517 Form	8390	Information Return For Determination of Life Insurance		118		SB,TE

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
518	Instr 8390	Company Earnings Rate Under Section 809 Instructions	2			
519	Form 8396	Mortgage Interest Credit		19	X	WI
520	Form 8404	Interest Charge on DISC-Related Deferred Tax Liability		12	X	SB, LB
521	Form 8453	U.S. Individual Income Tax Declaration for Electronic Filing		6	X	WI
522	Form 8453 E	Employee Benefit Plan Declaration and Signature for Electronic/Magnetic Media Filing		8	X	TE
523	Form 8453 F	U.S. Estate or Trust Income Tax Declaration and Signature for Electronic and Magnetic Media Filing		5	X	SB
524	Form 8453 NR	U.S. Nonresident Alien Income Tax Declaration for Magnetic Media Filing		9	X	WI
525	Form 8453 OL	U.S. Individual Income Tax Declaration for On-Line Services Electronic Filing		6	X	WI
526	Form 8453 P	U.S. Partnership Declaration and Signature for Electronic and Magnetic Media Filing		5	X	SB, LB
527	Form 8498	Program Sponsor Agreement for Continuing Education for Enrolled Agents		6	X	^a
528	Form 8508	Request for Waiver From Filing Information Returns on Magnetic Media (Forms W-2, W-2G, 1042S, 1098, 1099 Series, 5498, 5498-MSA, and 8027)		10	X	^a
529	Form 8554	Application for Renewal of Enrollment to Practice Before the Internal Revenue Service		6	X	^a
530	Form 8582	Passive Activity Loss Limitations		17		WI, SB
531	Instr 8582	Instructions	11			
532	Form 8582 CR	Passive Activity Credit Limitations		49		WI, SB
533	Instr 8582 CR	Instructions	16			
534	Form 8586	Low-Income Housing Credit		29	X	WI, SB, LB
535	Form 8594	Asset Acquisition Statement		9	X	SB, LB
536	Form 8596	Information Return for Federal Contracts		13	X	TE
537	Form 8596 A	Quarterly Transmittal of Information Returns for Federal Contracts		6	X	TE
538	Form 8606	Nondeductible IRAs		39		WI
539	Instr 8606	Instructions	8			
540	Form 8609	Low-Income Housing Credit Allocation Certification		21	X	SB, LB, TE
541	Sched 8609 (Sched A)	Annual Statement		18	X	SB, LB
542	Form 8610	Annual Low-Income Housing Credit Agencies Report		16	X	TE
543	Form 8611	Recapture of Low-Income Housing Credit		14	X	SB, LB

Enclosure II

No. type	Product Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
544 Form	8612	Return of Excise Tax on Undistributed Income of Real Estate Investment Trusts		19	X	SB, LB
545 Form	8613	Return of Excise Tax on Undistributed Income of Regulated Investment Company		19	X	SB, LB
546 Form	8615	Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400		19	X	WI
547 Form	8621	Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund		46		WI, SB, LB
548 Instr	8621	Instructions	7			
549 Form	8633	Application to Participate in the IRS e-file Program		39	X	^a
550 Form	8645	Soil and Water Conservation Plan Certificate		3	X	^a
551 Form	8689	Allocation of Individual Income Tax to the Virgin Islands		40	X	WI
552 Form	8693	Low-Income Housing Credit Disposition Bond		11	X	SB, LB
553 Form	8697	Interest Computation Under the Look-Back Method for Completed Long Term Contracts		24		SB, LB
554 Instr	8697	Instructions	6			
555 Form	8703	Annual Certification of a Residential Rental Project		11	X	SB, LB
556 Form	8709	Exemption From Withholding On Investment Income of Foreign Governments and International Organizations		9	X	TE
557 Form	8716	Election to Have a Tax Year Other Than a Required Tax Year		5	X	SB, LB
558 Form	8717	User Fee for Employee Plan Determination Letter Request		21	X	TE
559 Form	8718	User Fee for Exempt Organization Determination Letter Request		5	X	TE
560 Form	8725	Excise Tax on Greenmail		16	X	WI, SB, LB
561 Form	8736	Application for Automatic Extension of Time to File U.S. Return for a Partnership, REMIC, or for Certain Trusts		8	X	SB, LB
562 Form	8743	Information on Fuel Inventories and Sales		22	X	^a
563 Form	8752	Required Payment or Refund Under Section 7519		17	X	SB, LB
564 Form	8800	Application for an Additional Extension of Time to File a U.S. Return for a Partnership, REMIC or for Certain Trusts		6	X	SB, LB
565 Form	8801	Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts		48	X	WI, SB
566 Form	8804	Annual Return for Partnership Withholding Tax (Section 1446)		21		SB, LB
567 Instr	8804	Instructions	8			
568 Form	8805	Foreign Partner's Information Statement of Section 1446 Withholding tax		18		SB, LB
569 Form	8809	Request for Extension of Time to File Information Returns		9	X	SB, LB

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
570 Form	8810	Corporate Passive Activity Loss and Credit Limitations		17	X	SB, LB
571 Form	8811	Information Return for Real Estate Mortgage Investment Conduits (REMICs) and Issuers of Collateralized Debt Obligations		14	X	SB, LB
572 Form	8812	Additional Child Tax Credit		9	X	WI
573 Form	8813	Partnership Withholding Tax Payment (Section 1446)		3		SB, LB
574 Form	8814	Parent's Election to Report Child's Interest and Dividends		11	X	WI
575 Form	8815	Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989		15	X	WI
576 Form	8816	Special Loss Discount Account and Special Estimated Tax Payments for Insurance Companies		21	X	SB, TE
577 Form	8817	Allocation of Patronage and Non-patronage Income and Deductions		41	X	^a
578 Form	8818	Optional Form To Record Redemption of Series EE and I U.S. Savings Bonds Issued After 1989		12	X	WI
579 Form	8819	Dollar Election Under Section 985		16	X	SB, LB
580 Form	8820	Orphan Drug Credit		25	X	SB, LB
581 Form	8821	Tax Information Authorization		11	X	WI, SB, LB, TE
582 Form	8822	Change of Address		18	X	WI, SB, LB, TE
583 Form	8823	Low-Income Housing Credit Agencies Report of Non-compliance or Building Disposition		20	X	TE
584 Form	8824	Like-Kind Exchanges		38	X	WI, SB, LB
585 Form	8825	Rental Real Estate Income and Expenses of a Partnership or an S Corporation		22	X	SB, LB
586 Form	8826	Disabled Access Credit		29	X	SB, LB
587 Form	8827	Credit for Prior Year Minimum Tax - Corporations		9	X	SB, LB
588 Form	8828	Recapture of Federal Mortgage Subsidy		23		WI
589 Instr	8828	Instructions	3			
590 Form	8829	Expenses for Business Use of Your Home		42		SB
591 Instr	8829	Instructions	4			
592 Form	8830	Enhanced Oil Recovery Credit		25	X	SB, LB
593 Form	8831	Excise Taxes on Excess Inclusions of REMIC Residual Interests		14	X	SB, LB
594 Form	8832	Entity Classification Election		5	X	SB, LB
595 Form	8833	Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)		6	X	WI, SB, LB
596 Form	8834	Qualified Electric Vehicle Credit		29	X	WI, SB, LB

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
597 Form	8835	Renewable Electricity Production Credit		35	X	SB, LB
598 Form	8837	Notice of Adoption of Revenue Procedure Model Amendments		10	X	TE
599 Form	8838	Consent to Extend the Time to Assess Tax Under Section 367 - Gain Recognition Agreement		7	X	WI, SB, LB
600 Form	8839	Qualified Adoption Expenses		36		WI
601 Instr	8839	Instructions	4			
602 Form	8840	Closer Connection Exception Statement for Aliens		32	X	WI
603 Form	8842	Election to Use Different Annualization Periods for Corporation Estimated Tax		1	X	SB, LB
604 Form	8843	Statement for Exempt Individuals and Individuals with a Medical Condition		23	X	WI
605 Form	8844	Empowerment Zone Employment Credit		36	X	SB, LB
606 Form	8845	Indian Employment Credit		27	X	SB, LB
607 Form	8846	Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips		27	X	SB, LB
608 Form	8847	Credit for Contributions to Selected Community Development Corporations		25	X	WI, SB, LB
609 Sched	8847 (Sched A)	Receipt for Contribution to Selected Community Development Corporation (CDC)		2	X	WI, SB, LB
610 Form	8848	Consent to Extend the Time to Assess the Branch Profits Tax Under Regulations Sections 1.884-2T(a) and (c)		7	X	SB, TE
611 Form	8849	Claim for Refund of Excise Taxes		2		SB, LB
612 Instr	8849	Instructions	3			
613 Sched	8849 (Sched 1)	Nontaxable Use of Fuels		5	X	a
614 Sched	8849 (Sched 2)	Sales by Registered Ultimate Vendors of Un-dyed Diesel Fuel and Un-dyed Kerosene		3	X	a
615 Sched	8849 (Sched 3)	Gasohol Blending		3	X	a
616 Sched	8849 (Sched 4)	Sales by Gasoline Wholesale Distributors		1	X	a
617 Sched	8849 (Sched 5)	Section 4081(e) Claims		6	X	a
618 Sched	8849 (Sched 6)	Other Claims		2	X	a
619 Form	8850	Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits		4		SB, LB
620 Instr	8850	Instructions	2			
621 Form	8851	Summary of Medical Savings Account		8	X	SB, LB
622 Form	8852	Currency Transaction Report by Casinos-Nevada		65	X	SB, TE
623 Form	8853	Medical Savings Accounts & Long Term Care Insurance Contracts		32		WI

Enclosure II

No. type	Code number	Name of form, instruction, or schedule	Number of pages of instructions	Number of lines per form	Instructions in form/schedule	IRS division
624	Instr 8853	Instructions	8			
625	Form 8854	Expatriation Information Statement		42		WI
626	Instr 8854	Instructions	3			
627	Form 8857	Request for Innocent Spouse Relief		9	X	WI
628	Form 8859	District of Columbia First-Time Homebuyer Credit		12	X	WI
629	Form 8860	Qualified Zone Academy Bond Credit		18	X	SB,TE
630	Form 8861	Welfare-to-Work Credit		26	X	SB,LB
631	Form 8862	Information To Claim Earned Income Credit After Disallowance		25		WI
632	Instr 8862	Instructions	2			
633	Form 8863	Education Credits (Hope and Lifetime Learning Credits)		25	X	WI
634	Form 8865	Return of U.S. Persons With Respect to Certain Foreign Partnerships		29		^a
635	Instr 8865	Instructions	23			^a
636	Sched 8865 (Sched K-1)	Partner's Share of Income, Credits, Deductions, etc.		54		^a
637	Sched 8865 (Sched O)	Transfer of Property to a Foreign Partnership		16		^a
638	Sched 8865 (Sched P)	Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership		19		^a
639	Form 8866	Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method		13		^a
640	Instr 8866	Instructions	4			
641	Form 8867	Paid Preparer's Earned Income Credit Checklist		13		^a
642	Form 8888	Direct Deposit of Refund		5	X	^a
643	Form 9041	Application for Electronic/Magnetic Media Filing of Business and Employee Benefit Plan Returns		10	X	^a
644	Form 9325	Acknowledgement and General Information for Taxpayers Who File Returns Electronically		1		^a
645	Form 9423	Collection Appeal Request		19	X	^a
646	Form 9452	Filing Assistance Program		7	X	^a
647	Form 9465	Installment Agreement Request		13	X	WI
648	Form 12153	Request for a Collection Due Process		1	X	^a
649	Form 12196	Small Business Office Order Blank		2		^a
Total pages and lines			1485 ^b	16142		^a

^aIRS data do not show any division.

^bTotal for separately published instructions only, does not include instructions contained in forms and schedules.
Source: IRS 1999 Federal Tax Products on CD-ROM.

Enclosure II

Table II.2 shows a list of 342 IRS publications and the number of pages in each (about 13,400), as of 1999 or 2000, depending on the most recent information available. Foreign language publications have been excluded from the list. Also, the list is limited to publications that appear—based on their titles and limited published descriptions—to include guidance for taxpayers on meeting the requirements of the tax system. According to IRS officials, no single IRS listing identifies all IRS publications that provide guidance for taxpayers separately from other types of publications, such as those intended for IRS’ internal use. As a result, we used several sources (see end of table II.2) to gather the list.

Table II.2: IRS Publications as of November 1999 to April 2000

No.	Publication	Number of pages
1	Your Rights as a Taxpayer	2
3	Armed Forces' Tax Guide	25
4	Student's Guide to Federal Income Tax	17
5	Appeal Rights and Preparation of Protests for Unagreed Cases	2
15	Circular E, Employer's Tax Guide	64
15-A	Employer's Supplemental Tax Guide (Supplement to Circular E, Employers Tax Guide, Publication 15)	64
17	Your Federal Income Tax	275
21	Understanding Taxes (Resource Kit)	288
51	Circular A, Agricultural Employer's Tax Guide	48
54	Tax Guide for U.S. Citizens and Resident Aliens Abroad	45
80	Circular SS - Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands	20
216	Conference and Practice Requirements	12
225	Farmer's Tax Guide	116
334	Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)	56
349	Federal Highway Use Tax on Heavy Vehicles	12
378	Fuel Tax Credits and Refunds	16
393	Federal Employment Tax Forms	32
454	Your Business Tax Kit	116
463	Travel, Entertainment, Gift, and Car Expenses	52
487	How to Prepare Application Requesting the US to Release Its Right to Redeem Property Secured by a Federal Tax Lien	2
501	Exemptions, Standard Deduction, and Filing Information	20
502	Medical and Dental Expenses	19
503	Child and Dependent Care Expenses	20
504	Divorced or Separated Individuals	26
505	Tax Withholding and Estimated Tax	48
508	Tax Benefits for Work-Related Education	11
509	Tax Calendars for 2000	12
510	Excise Taxes for 2000	43
513	Tax Information for Visitors to the U.S.	12
514	Foreign Tax Credit for Individuals	30
515	Withholding of Tax on Nonresident Aliens and Foreign Corporations	43
516	U.S. Government Civilian Employees Stationed Abroad	11
517	Social Security and Other Information for Members of the Clergy & Religious Workers	20
519	U.S. Tax Guide for Aliens	52
520	Scholarships and Fellowships	7
521	Moving Expenses	16
523	Selling Your Home	39
524	Credit for the Elderly or the Disabled	15
525	Taxable and Nontaxable Income	31
526	Charitable Contributions	16
527	Residential Rental Property (Including Rental of Vacation Homes)	20

Enclosure II

No.	Publication	Number of pages
529	Miscellaneous Deductions	20
530	Tax Information for First-Time Homeowners	12
531	Reporting Tip Income	8
533	Self-Employment Tax	18
534	Depreciating Property Placed In Service Before 1987	20
535	Business Expenses	67
536	Net Operating Losses	19
537	Installment Sales	18
538	Accounting Periods and Methods	18
541	Partnerships	27
542	Corporations	24
544	Sales and other Dispositions of Assets	38
547	Casualties, Disasters, and Thefts (Business and Nonbusiness)	15
550	Investment Income and Expenses	70
551	Basis of Assets	11
552	Recordkeeping for Individuals	8
553	Highlights of 1999 Tax Changes	16
554	Older Americans' Tax Guide	29
555	Community Property	12
556	Examination of Returns, Appeal Rights, and Claims for Refund	16
557	Tax-Exempt Status for Your Organization	55
559	Survivors, Executors and Administrators	40
560	Retirement Plans for Small Business (SEP, SIMPLE and Keogh Plans)	22
561	Determining the Value of Donated Property	12
564	Mutual Fund Distributions	15
570	Tax Guide for Individuals With Income from U.S. Possessions	14
571	Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations	24
575	Pension and Annuity Income	40
578	Tax Information for Private Foundations and Foundation Managers	36
583	Starting a Business and Keeping Records	24
584	Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)	24
587	Business Use of Your Home (Including Use by Day-Care Providers)	27
590	Individual Retirement Arrangements (IRAs)(Including Roth IRAs and Education IRAs)	84
593	Tax Highlights for U.S. Citizens and Residents Going Abroad	11
594	The IRS Collection Process	12
595	Tax Highlights for Commercial Fishermen	12
596	Earned Income Credit	56
597	Information on the United States-Canada Income Tax Treaty	4
598	Tax on Unrelated Business Income of Exempt Organizations	23
686	Certification for Reduced Tax Rates in Tax Treaty Countries	2
721	Tax Guide to U.S. Civil Service Retirement Benefits	28
723 C	Actuarial Values I Valuation of Last Survivor Charitable Remainders - Part C	292
723 D	Actuarial Values I Valuation of Last Survivor Charitable Remainders - Part D	296
723 E	Actuarial Values II – Factors at 10 Percent Involving One and Two Lives	68
724	Help Other People With Their Tax Returns	2
733	Rewards for Information Provided by Individuals to the Internal Revenue Service	2
742	Why Your Return Is Being Examined	2
783	Instructions on How to Apply for Certificate of Discharge of Property From Federal Tax Lien	4
784	How to Prepare Application for Certificate of Subordination of Federal Tax Lien	2
786	Instructions for Preparing Notice of Non-Judicial Sale of Property & Application for Consent to Sale	2
794	Favorable Determination Letter	4
818	IRS, The Whole Picture	28

Enclosure II

No.	Publication	Number of pages
850	English-Spanish Glossary of Words and Phrases	25
892	Exempt Organization Appeal Procedures for Unagreed Issues	4
901	U.S. Tax Treaties	44
905	Unemployment Compensation: It's Taxable!	2
907	Tax Highlights for Persons With Disabilities	11
908	Bankruptcy Tax Guide	25
910	Guide to Free Tax Services	40
911	Direct Sellers	20
915	Social Security and Equivalent Railroad Retirement Benefits	26
919	How Do I Adjust My Tax Withholding?	18
925	Passive Activity and At-Risk Rules	23
926	Household Employer's Tax Guide	14
929	Tax Rules for Children and Dependents	20
936	Home Mortgage Interest Deduction	14
938	Real Estate Mortgage Investment Conduits (REMICS) Reporting Information (And Other Collateralized Debt Obligations (CDOs))	48
939	General Rule for Pensions and Annuities	79
946	How to Depreciate Property	104
947	Practice Before the IRS and Power of Attorney	16
950	Introduction to Estate and Gift Taxes	8
952	Sick Pay Reporting	12
954	Tax Incentives for Empowerment Zones and Other Distressed Communities	15
957	Reporting Back Pay and Special Wage Payments to the Social Security Administration	10
963	Federal-State Reference Guide	184
966	Electronic Federal Tax Payment System (Answers to the most commonly asked questions)	9
967	The IRS Will Figure Your Tax	6
968	Tax Benefits for Adoption	4
969	Medical Savings Accounts	7
970	Tax Benefits for Higher Education	19
971	Innocent Spouse Relief	12
972	Child Tax Credit	7
1004	Identification Numbers Under ERISA	8
1020	Appeal Procedures Employee Plans Examinations	4
1024	How to Prepare for Certificate of Nonattachment of Federal Tax Lien	2
1035	Extending the Tax Assessment Period	2
1045	Information for Tax Practitioners	15
1049B	Tax Supplement 1999	20
1057	Small Business Tax Education Program (Brochure)	8
1066	Small Business Tax Workshop Workbook	128
1075	Tax Information Security Guidelines for Federal, State and Local Agencies	58
1101	Application Package and Guidelines for Managing a TCE Program	49
1114	Tax Counseling for the Elderly (Brochure)	2
1137	Toll Free and Tele-Tax Telephone Numbers	16
1141	General Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3	16
1149	Magnetic Tape Reporting for Windfall Profit Tax Information Returns	20
1150	Tax Havens and Their Use By United States Taxpayers: An Overview	248
1153	How to Prepare Application for Certification of Subordination of Federal Tax Lien Under Section 63259(d)(3) of the Internal Revenue Code	2
1162	Group Exemption Procedures	4
1167	Substitute Printed, Computer-Prepared, and Computer-Generated Tax Forms and Schedules	104
1179	Rules and Specifications for Private Printing of Substitute Forms 1096, 1098, 1099, 5498, and W-2G	31

Enclosure II

No.	Publication	Number of pages
1187	Specifications for Filing Form 1042S, Foreign Person's U.S. Source Income Subject to Withholding, Magnetically or Electronically	105
1194 B	Business Taxpayer Information Publications	448
1194	A Selection of IRS Tax Information Publications Vol 1	348
1194	A Selection of IRS Tax Information Publications Vol 2	364
1211	Partnerships, S--Corporations--That Desire to change its Tax Year	8
1212	List of Original Issue Discount Instruments	16
1220	Specifications for Filing Forms 1098, 1099, 5498 and W-2G Magnetically or Electronically	140
1223	Specifications for Private Printing of Substitute Forms W-2c and W-3c	8
1235	Advance Earned Income Tax Credit Brochure	6
1244	Employee's Daily Record of Tips and Report to Employer	10
1245	Specifications for Filing Form W-4, Employees Withholding Allowance Certificate Magnetically or Electronically	32
1264	Form 941, Employer's Quarterly Federal Tax Return	36
1273 A	An Overview of the IRS	2
1281	Backup Withholding on Missing and Incorrect TINs	52
1314	Form 940, Employer's Federal Unemployment (FUTA) Tax Return (File Specifications etc.)	48
1315	Requirements and Instructions for Reporting Agents who Submit Employment FTD Payment Information	20
1320	Operation LINK	24
1321	Special Instructions for Bona Fide Residents of Puerto Rico Who Must File a U.S. Individual Income Tax Return	4
1345	Handbook for Electronic Filers of Individual Income Tax Returns	61
1346	Electronic Return File Specifications and Record Layouts for Individual Tax Returns (Tax Year 1999)	672
1355	Requirements and Conditions for Reproduction, Private Design and Printing of Substitute Forms 1040 ES	12
1374	Requirements and Instructions for Certain Banks and Fiduciaries to Submit Quarterly Estimated Income Tax Payment Information	20
1375	Procedures for Issuing Rulings, Determination Letters, and Information Letters, and for entering into Closing Agreements on Specific Issues Under the Jurisdiction of the Associate Chief Counsels	72
1391	Deductibility of Payments Made to Charities Conducting Fund-Raising Events	8
1409	Tax Supplement 1999 International	7
1413	Federal Tax Forms Are Available	2
1431	Telephone Assistance	2
1437	Procedures For Electronic and Magnetic Media Filing of U.S. Income Tax Return for Estates and Trusts - Form 1041 Tax Year 1999	54
1438	File Specifications, Validation Criteria, Record Layouts for Electronic and Magnetic Media Filings of US Income Tax Returns for Estates and Trusts, Form 1041	336
1450	A Certificate of Release of Federal Tax Lien	2
1457	Actuarial Values Book Aleph	880
1458	Actuarial Values Book Beth	880
1459	Actuarial Values Book Gimel	112
1463	Small Business Tax Education Program (Pocket Folder)	4
1466	Small Business Tax Education Program Kit Supplement - CD-ROM Supp	2
1469	Service: Its Our Name (Folder)	4
1473	Service: Its Our Name	12
1474	Technical Specifications Guide For Reporting Agent, Authorization for Magnetic Tape/Electronic Filers	26
1488	Favorable Notification Letter	2
1494	Table for Figuring Amount Exempt From Levy On Wages, Salary, and Other Income (Forms 668-W & W(c))	2

Enclosure II

No.	Publication	Number of pages
1495	Earned Income Credit Stuffer	2
1502	Depositing Taxes	4
1506	Backup Withholding Questions and Answers	2
1508	File Specifications, Validation Criteria, Record Layouts for Electronic and Magnetic Med	194
1510	Federal Tax Deposit (FTD) Checklist for Tellers and Taxpayers	2
1516	Specifications for Filing Forms 8596	28
1518	Tax Tips--A Calendar for Small Business	36
1524	Procedures For Electronic and Magnetic Media Filing of Form 1065, U.S. Partnership Return of Income (Including The "Paper-Parent Option")	34
1525	Validation Criteria and Record Layouts for Electronic Filing of Form 1065	413
1527	IRP-BBS IRS Information Reporting Program Bulletin Board System	24
1542	Per Diem Rates	26
1544	Reporting Cash Payments of Over \$10,000	8
1546	The Taxpayer Advocate Service of the IRS	2
1565	Looking Out for #2 A Married Couple's Guide to Understanding Your Benefit Choices at Retirement from a Defined Contribution Plan	42
1566	Looking Out for #2 A Married Couple's Guide to Understanding Your Benefit Choices at Retirement from a Defined Benefit Plan	36
1577	Applying for Educational Financial Aid	1
1582	Information Returns Vendor List	53
1586	Reasonable Cause Regulations and Requirements as They Apply to Missing and Incorrect Name/TINs	52
1600	Disaster Losses--The IRS Can Help	2
1620	Earned Income Tax Credit (Folder)	4
1622	Earned Income Tax Credit (Brochure)	6
1635	Understanding Your EIN	42
1643	A Married Couple's Guide to Understanding Your Benefit Choices at Retirement	2
1660	Collection Appeal Rights	4
1678	Project 1040PC (Handbook for 1040PC Format Preparers)	40
1679	A Guide to Backup Withholding for Missing and Incorrect Name/TINs	36
1693	SSA / IRS Reporter	4
1715	It's Never Too Late	6
1716	Backup Withholding Questions and Answers for Missing and Incorrect TINs	10
1730	International Business Getting Started With: FIRPTA	6
1771	Charitable Contributions - Substantiation and Disclosure Requirements	2
1796	IRS Federal Tax Products	2
CD ROM		
1798	Retiring Q' and A's	8
1803	Click Once Federal/State Brochure	6
1819	Divorce an IRS Perspective	6
1824	IRS Tips for Withholding on Nonresident Aliens	2
1828	Tax Guide for Churches and Other Religious Organizations	40
1853	Small Business Talk	12
1854	How to Prepare a Collection Information Statement (Form 433-A)	2
1855	Technical Specification Guide for The Electronic Filing of Form 941 Employer's Quarterly Federal Tax Return (941 ELF)	168
1857	Filing Your Taxes Brochure	4
1861A	Q&A Electronic Tax Filing for Taxpayers	2
1861B	Q&A Electronic Tax Filing for Professionals	2
1861C	Q&A Federal/State Electronic Tax Filing for Taxpayers	2
1861D	Q&A Federal/State Electronic Tax Filing for Tax Professionals	2
1861E	Q&A Telefile	2
1961F	Q&A Electronic Tax Filing On-line for Taxpayers	2
1861G	Q&A Electronic Tax Filing On-line for Companies	2
1861H	Q&A 1040PC for Taxpayers	2

Enclosure II

No.	Publication	Number of pages
1861I	Q&A 1040PC for Practitioners and Software Developers	2
1861J	Q&A Electronic Filing Walk-In Electronic Filing	2
1861K	Q&A Electronic Tax Filing VITA/TCE for Sponsors and Site Coordinators	2
1861L	Q&A Electronic Tax Filing Organizations Sponsoring Electronic Filing	2
1861M	Q&A Third Party Processor	2
1861N	Q&A Form 1065, US Partnership Return of Income	2
1861O	Q&A Form 1041, Income Tax Return for Estates and Trusts	2
1861P	Q&A Magnetic Tape Reporting	2
1861Q	Q&A Electronic Tax Filing 941 ELF	4
1862A	Fact Sheet Electronic Tax Filing for Taxpayers	2
1862B	Fact Sheet Electronic Tax Filing for Tax Professionals	2
1862C	Fact Sheet Federal/State Electronic Tax Filing	2
1862D	Fact Sheet Telefile	4
1862E	Fact Sheet Electronic Tax Filing On-line Filing	2
1862F	Fact Sheet 1040PC	2
1862G	Fact Sheet Electronic Tax Filing Walk-in Electronic Tax Filing	2
1862I	Fact Sheet Electronic Tax Filing Organizations Sponsoring Electronic Filing	2
1862J	Fact Sheet Third Party Processor	2
1862K	Fact Sheet Form 1065	2
1862L	Fact Sheet Form 1041	2
1862M	Fact Sheet Magnetic Tape Reporting	2
1862N	Fact Sheet 941 ELF	2
1862O	Fact Sheet Employee Benefit Plan 5500 Series Return	2
1866	1994 IRS Customer Satisfaction Report	120
1866A	1995 IRS Customer Satisfaction Survey: Final Report	136
1866B	1997 IRS Customer Satisfaction Survey: Final Report	114
1872	Tips on Tips--A Guide to Tip Income Reporting for Employees in the Food and Beverage Industry	8
1875	Employer/Tip Income Reporting	8
1896	1995 IRS Small Business Customer Satisfaction Survey: Final Report	110
1911	Instructions for Preparing and Submitting Form 8655	4
1912	Requirements for Magnetic Tape Reporting of Form 940	16
1915	Understanding Your IRS Individual Taxpayer Identification Number	8
1966	Tax Help (Philadelphia Service Center)	62
1976	Independent Contractor or Employee?	1
2010	Do You Owe Tax?	2
2011	How Restaurant and Employees Compute the Tip Rates	2
2017	Tips to Shorten Your Audit Information Guide	2
2024	How to Pay Your Taxes	2
2035	1999 Arkansas - Oklahoma Guide to Free Tax Help	20
2036	Power of Attorney - Everything You Need to Know and More About Filing Form 2848 at IRS Service Centers	2
2043	1999 ELF Peak Refund Cycle Chart	1
2053	Quick and Easy Access to IRS Tax Help and Forms/Fax Forms List	4
2053A	Quick and Easy Access to IRS Tax Help and Forms	1
2055	IRS TCE -AARP Tax Aide 1999 Georgia State List	28
2092	Highlights of the Taxpayer Relief Act of 1997	16
2094	Tax Issues for the Advanced Preparer	48
2105	Why Do I Have to Pay Taxes?	2
2122	How to Request Employer Identification Number	2
2181	Teaching About Taxes	2
2186	Tax Item. Penalties	5
2187	Tax Item. Support Test and Worksheet for Dependency Exemption	6
2188	Tax Item. Request for IRS to Figure Taxable Part of Annuity	4

Enclosure II

No.	Publication	Number of pages
2189	Tax Item. Worksheets to Figure Taxable Social Security and Equivalent Railroad Retirement Benefits	5
2190	Tax Item. Deduction or Credit for Amounts You Repaid	4
2191	Tax Item. Unemployment Compensation	3
2193	Too Good to be True Trusts	2
2194	Disaster Losses Kit	216
3005	E-File Practitioner Kit	16
3062	Requirements for ELF Program	12
3079	Gaming Publication for Tax-Exempt Organizations	36
3085	Information of Self-Employment Tax	6
3106	Overview of Imaging Reimbursements Program for Gasoline Station Owners	2
3107	EITC Tax Professional Kit	47
3111A	EFTPS Folder	2
3112	The IRS E-File Application Package	15
3113	Testimonials Brochure	2
3114	Compliance Checks	2
3115	Opportunities for Development of Tax Administrators, Year 2000 Programs	1
3125	An Important Message For Taxpayers With IRAs	2
3136	People 15 to 23 Years Old: You May Not be Required To Have Federal Tax Withheld	6
3137	People on a Pension: You May Not be Required To Have Federal Tax Withheld	8
3144	Tips on Tips--A Guide to Tip Income Reporting for Employer	12
3148	Tips on Tips--A Guide to Tip Income Reporting for Employees	12
3150	IRS Corporate Partnership Program	4
3167	New Tax Law Brochure Save \$400 for each Child	8
3168	New Tax Law Brochure New Ways to Save on Your 1998 Taxes	12
3169	New Tax Law Brochure New IRA Benefits	8
3171	New Tax Law Brochure Save Up to \$1500	8
3187	Electronic Tax Administration Strategic Plan	64
3195	Reduce Unnecessary Filing Package for the Elderly	8
3204	Automotive Manufacturers Incentive Program	2
3211	EITC Q&A	6
3216	AEITC Brochure	6
3228	Credit Card Brochure	2
3229	Direct Debit Brochure	2
3319	Low-Income Taxpayer Clinics 1999 Grant Application Package	48
3367	Tax Tips for Tax Professionals from the Fresno Service Center	39
3373	Disclosure of Information to Federal, State and Local Agencies	44
3385	Internal Revenue Service Annual Report Fiscal Year 1998	107
3386	Tax Guide--Veteran's Organizations	52
3390	US Tax Treaty Agreement Between the Government of the US and the Government of the Peoples Republic of China	32
3391	US Tax Treaty Agreement the Convention Between the US and Japan and for the Avoidance of Double Taxation	36
3406	Business E-file Fact Sheets	30
3410	US Tax Treaty--Convention Between the Government of the US and France	48
3416	Electronic Filing Form of 1065	108
3425	Four Easy Ways to Use EFTPS	12
3439	Transfer Pricing Seminar Course Announcement	4
3440	Training Center Management and Administration Seminar Course Announcement	4
3441	International Financial Fraud Training Program Course Announcement	1
3442	Computer Audit Specialist Training Program Course Announcement	4
3443	International Computer Evidence Analysis Training Program Course Announcement	4
3444	Financial Products Seminar Announcement	4
3452	Q&A For Tax Professionals Brochure	2
3453	Thank You for Not Filing	6

Enclosure II

No.	Publication	Number of pages
3512	Innocent Spouse Relief (Brochure)	2
3518	Beauty Industry Federal Tax Guidelines	2
3528	Attention! Form 1040 and 1040A Filers Poster	1
3559	The New IRS Stands UP What the Modernized Agency Means for You	102
3614	Application for Memorandum of Agreement Debt Indicator	11
3618	Taxpayer Advocate Service-FY2001 Objectives	13
8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	6
Total pages		13,352

Sources: IRS' 1999 Federal Tax Products on CD-ROM (release 99.2), IRS Forms and Publications Internet site, IRS' Published Product Catalog (rev. 11-99), and Research Institute of America list of official IRS publications (4-18-2000).

Question 7: What worksheets were contained in the instructions to IRS forms as of 1999?

IRS provided the following list and categorization of 159 worksheets contained in IRS instructions as of August, 1999. IRS officials said the list includes all worksheets contained in the instructions to public-use forms and schedules.

INDIVIDUAL WORKSHEETS

Form 1040 US Individual Income Tax Return

- State and local income tax refund worksheet
- Simplified method worksheet (pensions and annuities)
- Social Security benefits worksheet
- IRA deduction worksheet
- Student loan interest deduction
- Self-employed health insurance deduction worksheet
- Standard deduction worksheet for dependents
- Deduction for exemptions worksheet
- Capital gains tax worksheet
- Child tax credit questionnaire
- Child tax credit worksheet
- Worksheet to determine whether filer should fill in Form 6251 (Alternative Minimum Tax)
- Earned income credit questionnaire
- Worksheet A—earned income credit (EIC)
- Worksheet B—earned income credit (EIC)

Schedule A (Form 1040) Itemized Deductions

- Itemized deductions worksheet

Schedule C-EZ (Form 1040) Net Profit for Business (Sole Proprietorship)

- Optional worksheet for line 2

Schedule D (Form 1040) Capital Gains and Losses

- Capital loss carryover worksheet—line 18
- Unrecaptured section 1250 gain worksheet—line 25

Schedule R (Form 1040) Credit for the Elderly or the Disabled

- Credit limit worksheet—line 20

Enclosure II

Form 1040A U.S. Individual Income Tax Return

- Simplified method worksheet for pensions and annuities
- Social Security benefits worksheet
- IRA deduction worksheet
- Student loan interest deduction worksheet
- Standard deduction worksheet for dependents
- Child tax credit questionnaire
- Child tax credit worksheet
- Alternative minimum tax worksheet
- Earned income credit questionnaire
- Earned income credit worksheet

Schedule 3 (Form 1040A) Credit for the Elderly or the Disabled for Form 1040A Filers

- Credit limit worksheet—line 20

Form 1040-C (2000) U.S. Departing Alien Income Tax Return

- Itemized deductions worksheet
- Deduction for exemptions worksheet

Form 1040-ES (OCR) (2000) Estimated Tax for Individuals

- Record of estimated tax payments
- Estimated tax worksheet

Form 1040-ES (NR) (2000) U.S. Estimated Tax for Nonresident Alien Individuals

- Record of estimated tax payments
- Estimated tax worksheet for nonresident alien individuals

Form 1040-ES (2000), Estimated Tax for Individuals

- Estimated tax worksheet
- Record of estimated tax payments

Form 1040EZ Income Tax for Single and Joint Filers With No Dependents

- Social Security benefits worksheet
- EIC qualification
- EIC worksheet

Form 1040NR U.S. Nonresident Alien Income Tax Return

- Simplified Method worksheet
- Student loan interest deduction worksheet
- Self-employed health insurance deduction worksheet
- Deduction for exemptions worksheet
- Capital gains tax worksheet
- Itemized deductions worksheet

Form 1040NR-EZ U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents

- Student loan interest deduction worksheet

Form 1045 Application for Tentative Refund

- Itemized deductions limitation worksheet

Form 1116 Foreign Tax Credit (Individual, Estate, Trust, or Nonresident Alien Individual)

- Worksheet for lump-sum distributions

Enclosure II

- Worksheet A (capital gains)
- Worksheet B (capital losses)
- Worksheet for unrecaptured section 1250 gain
- Worksheet for home mortgage interest
- Worksheet for line 17

Form 2106 Employee Business Expense

- Employer reimbursement worksheet

Form 2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts

- List your payments for 1999
- Part I – annualized income installments, line 6 worksheet
- Part I – annualized income installments, line 10 worksheet

Form 2555 Foreign Earned Income

- Housing deduction carryover worksheet

Form 3903 Moving Expenses

- Distance test worksheet

Form 4972 Tax on Lump-Sum Distributions

- NUA worksheet
- Death benefit worksheet
- Step 5, worksheet for line 37

Form 6198 At-Risk Limitations

- Line 11 Worksheet–Figure your investment in the activity at the effective date
- Line 12 Worksheet–Figure your total losses from years before the effective date
- Line 16 Worksheet (item 8)–Figure excess depletion deduction

Form 6251 Alternative Minimum Tax--Individuals

- Exemption worksheet--Line 22

Form 8582-CR Passive Activity Credit Limitations

- Worksheet 1 for lines 1a and 1b
- Worksheet 2 for lines 2a and 2b
- Worksheet 4 for lines 4a and 4b
- Worksheet 5 for credits on line 1a or 1b
- Worksheet 6 for credits on line 2a or 2b
- Worksheet 7 for credits on line 3a or 3b
- Worksheet 8--Allocation of unallowed credits
- Worksheet 9--Allowed credits

The instructions for some of the lines of Form 8532-CR include "worksheet-like" tables to be filled in, although they are not labeled as worksheets. Relevant lines and table locations are

- Line 6 (top of page 10)
- Line 15 (top of page 11)
- Line 27 (left column of page 12)
- Line 35 (center column of page 12)

Form 8606 Nondeductible IRAs

- Maximum Roth IRA contribution worksheet
- Roth IRA basis worksheet
- Ed IRA worksheet

Enclosure II

Form 8615 Tax for Children Under Age 14 Who Have Investment Income of More Than \$1400

- Child's investment income worksheet--line 1

Form 8815 Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989

- Line 6 worksheet
- Line 9 worksheet

Form 8839 Qualified Adoption Expenses

- Exclusion of prior year benefits worksheet
- Credit carry-forward worksheet
- Modified AGI worksheet

Form 8853 Medical Savings Accounts & Long-Term Care Insurance Contracts

- Line 3 limitation worksheet
- Line 13b additional tax worksheet

Tele-File Package

- Tele-File EIC worksheet
- Tele-File Tax Record

CORPORATE WORKSHEETS

Form 990-C Farmers' Cooperative Income Tax Return

- worksheet for computation of dividends-received deduction after limitation
- tax computation worksheet for members of a controlled group

Form 1120/1120-A U.S. Corporation Income Tax Return

- cost of goods sold worksheet for Form 1120-A filers
- worksheet for computation of dividends-received deduction after limitation
- tax computation worksheet for members of a controlled group

Form 1120-F U.S. Income Tax Return of a Foreign Corporation

- worksheet for computation of dividends-received deduction after limitation
- tax computation worksheet for members of a controlled group

Form 1120-FSC U.S. Income Tax Return of a Foreign Sales Corporation

- worksheet for computation of total foreign trading gross receipts if it includes commission income
- worksheet for computation of dividends received and dividends-received deduction
- worksheet for computation of dividends-received deduction after limitation
- tax computation worksheet for members of a controlled group

Form 1120-IC-DISC Interest Charge Domestic International Sales Corporation Return

- worksheet for computation of dividends-received deduction after limitation
- worksheet for computation of qualified export receipts

Form 1120-L U.S. Life Insurance Company Income Tax Return

- worksheet for computation of dividends-received deduction after limitation
- tax computation worksheet for members of a controlled group

Form 1120-PC U.S. Property and Casualty Insurance Company Income Tax Return

- worksheet for computation of dividends-received deduction after limitation
- tax computation worksheet for members of a controlled group

Enclosure II

Form 1120-POL U.S. Income Tax Return for Certain Political Organizations

- tax computation worksheet for principal campaign committees

Form 1120-REIT U.S. Income Tax Return for Real Estate Investment Trusts

- tax computation worksheet for members of a controlled group

Form 1120-RIC U.S. Income Tax Return for Regulated Investment Companies

- tax computation worksheet for members of a controlled group

Form 4562 Depreciation and Amortization

- worksheet to figure depreciation

Form 4626 Alternative Minimum Tax - Corporations

- worksheet to compute adjusted current earnings

Form 5300 Application for Determination for Employee Benefit Plan

- worksheet for partial termination of plan

Form 5303 Application for Determination for Collectively Bargained Plan

- worksheet for partial termination of plan

Form 5471 Information Return of U.S. Persons With Respect to Certain Foreign Corporations

- worksheet to compute shareholder's pro rata share of subpart F income
- worksheet to compute shareholder's pro rata share of a CFC invested in U.S. property
- worksheet to compute shareholder's pro rata share of previously excluded subpart F income of a CFC withdrawn from qualified investments in less developed countries and from qualified investments in foreign base company shipping operations
- worksheet to compute shareholder's pro rata share of previously excluded export trade income of a CFC withdrawn from investment in export trade assets

Form 8810 Corporate Passive Activity Loss and Credit Limitations

- worksheet to compute total current year income, gains, deductions, and losses, from passive activities
- worksheet to compute overall passive activity gain or loss
- worksheet to allocate unalloyed passive activity deductions and losses
- worksheet to compute allowed deductions and losses
- worksheet to compute current year and prior year passive activity credits
- worksheet to compute tax attributable to net passive income
- worksheet to compute tax attributable to net active income

MISCELLANEOUS WORKSHEETS (Includes worksheets for estate, excise, employment, pass-through entity, and foreign-language forms.)

Form 940 Employer's Annual Federal Unemployment (FUTA) Tax Return

- worksheet for figuring reduced FUTA tax credit for state unemployment contributions paid late

Form 940-PR Planilla Para La Declaracion Annual Del Patrono La Contribucion Federal Para El Desempleo (FUTA)

- worksheet for figuring reduced FUTA tax credit for state unemployment contributions paid late

Form 1040-ES (Espanol) Contribuciones Federales Estimadas del Trabajo por Cuenta Propia Y Sobre El Empleo de Empleados Domesticos--Puerto-Rico

- worksheet for figuring quarterly estimated tax payments

Enclosure II

Form 2290 Heavy Highway Vehicle Use Tax Return

- worksheet for figuring tax on an increase in taxable gross weight

Form 8027 Employer's Annual Information Return of Tip Income and Allocated Tips

- employers' optional worksheet for tipped employees

Form 706 United States Estate (and Generation Skipping Transfer) Tax Return

- Taxable gifts reconciliation
- Adjusted taxable gifts
- Gift tax on gifts made after 1976
- Adjusted taxable estate
- Credit for tax on prior transfers

Form 706 NA, United States Estate (and Generation-Skipping Transfer) Tax Return

- Line 4 worksheet
- Line 5 worksheet

Form 990 (Sch. A) Organization Exempt Under Section 501(C)(3)

- Accrual to cash conversion

Form 990 PF Return of Private Foundation or Section 4947 (a) (1) Nonexempt Charitable Trust Treated as a Private Foundation

- Program service revenue

Form 990 W Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations

- Entire form is a worksheet

Form 1041 US Income Tax for Estates and Trusts

- Unrecaptured section 1250 gain
- Capital loss carryover

Form 1041ES (OCR) Estimated Income Tax for Estates and Trusts

- Entire product is a worksheet

Form 1065 US Partnership Return of Income

- Net earnings (loss) from self-employment

Form 1065B US Return of Income for Electing Large Partnerships

- Net earnings (loss) from self-employment
- Unrecaptured section 1250 gain

Form 1120S Income Tax Return for an S corporation

- Excess net passive income tax
- Schedule M-2 worksheet

Form 5227 Split-Interest Trust Information

- Capital gains distributions

Form 8609 (Sch A) Annual Statement

- Section 42 (f) (3) (B) worksheet

Form 8611 Recapture of Low-Income Housing Credit

- Line 2 worksheet

Enclosure II

Form 8693 Low Income Housing Credit Disposition Bond

- Bond amount worksheet

Form(s) 8804, 8805, 8813 returns associated with partnership withholding taxes

- Installment payments

Form 8828, Recapture of Federal Mortgage Subsidy

- Holding period percentage

Form 8865 Return of US Persons With Respect to Certain Foreign Partnerships

- Net earnings (loss) from self-employment

Question 8: What is IRS' methodology for estimating the time required for taxpayers to complete IRS forms and schedules?

To measure the paperwork dimension of compliance burden,¹ IRS sponsored a study in 1984 that has been the basis of its burden estimation methodology since that time. Arthur D. Little, Inc. (ADL), an IRS contractor, released the results of the paperwork burden study in 1988.

The ADL model was designed to meet reporting requirements arising from the Paperwork Reduction Act. Pursuant to the act, the Office of Management and Budget (OMB) established the annual Information Collection Budget and required federal agencies to provide estimates of the paperwork burdens that they impose on the public.²

The methodological approach used in the ADL study provides a set of burden equations for each tax form or schedule, one for each of several major taxpayer paperwork activities (e.g., recordkeeping, learning about the law or form, preparing the form and sending it to IRS). Each equation, developed from regression analysis of taxpayer survey data, recognizes basic characteristics of forms and instructions, form and line usage by taxpayers, and characteristics of the taxpayer population using the forms. These equations permit IRS to estimate the burden for any year, past or future, by describing the characteristics of the forms and instructions, as well as the populations of taxpayers using those forms.

As we have reported, IRS' ADL model for estimating taxpayer paperwork compliance burden was, when first introduced in the 1980s, considered a substantial improvement over the agency's previous methodology.³ However, IRS and other observers have identified several significant shortcomings of the model that limit its usefulness and accuracy. The reported limitations of the model and its estimates can be categorized into four areas: (1) the age of the underlying survey data, (2) the exclusion of certain components of burden, (3) the model's simplistic treatment of the determinants of burden, and (4) the questionable statistical validity and poor documentation of the estimates.

¹According to PricewaterhouseCoopers (PwC), taxpayer compliance burden is the cost to the taxpayer of compliance with the regulations and laws related to payment of taxes.

²The Information Collection Budget is the means by which the federal government, through OMB, measures and controls the number of hours that individuals, businesses, state and local governments, and others must spend complying with federal reporting requirements. The Information Collection Budget is prepared annually based upon the prior fiscal year's experience and current estimates of the "burden hours" imposed by individual forms, surveys, and other information collections.

³Tax Administration: IRS Is Working to Improve Its Estimates of Compliance Burden (GAO/GGD-00-11, May 22, 2000).

Enclosure II

In an effort to provide more reliable paperwork burden estimates, IRS contracted with PricewaterhouseCoopers (PwC) to develop new burden models for the prefilling and filing burdens of taxpayers with Wage and Investment (W&I) income (expected delivery is September 2001). As part of this effort, PwC is to provide IRS with paperwork burden estimates for the W&I taxpayer group. PwC is also to develop a model for the postfiling burden of individual taxpayers (expected delivery is fall 2002). Finally, IRS also plans to develop burden models for taxpayers with income from self-employment (expected delivery is fall 2002). The initial focus is on taxpayers with W&I income because they bear a large portion of the overall compliance burden and because their burden may be easiest to estimate.

The PwC models are intended to provide more reliable and comprehensive estimates of taxpayers' federal income tax compliance burdens than currently exist. They are also intended to allow IRS to better analyze the impact of tax law changes on those burdens.

**Information on the Number and Type
of Tax Filers in the United States**

Question 9: What number and percentage of the U.S. population filed tax returns or were claimed as dependents in 1990, 1995, and 1997?

Table III.1 shows the number of U.S. residents or citizens claimed as exemptions on income tax returns—as filers or dependents—compared to the total U.S. population.⁴ Individuals who file a return and are counted as dependents on another return should not be double-counted in this data because they cannot claim a personal exemption on their own return.

Table III.1: Number of Individual Tax Filers and Dependents Compared to U.S. Population
Numbers in thousands

Year	Filers ^a	Dependents	Total filers and dependents	U.S. population ^b	Total as percent of U.S. population
1990	151,769	75,780	227,549	248,659	91.5
1995	157,127	80,038	237,164	261,906	90.6
1997	160,310	80,970	241,279	266,840	90.4

^aIncludes secondary filers in the case of joint returns.

^bEstimated U.S. population, including U.S. residents and U.S. military personnel stationed abroad.

Source: IRS Statistics of Income (SOI) and U.S. Census data.

Question 10: How many income tax returns were filed unnecessarily in 1990, 1995, and 1999?

IRS considers returns that are not legally required and meet certain other criteria to be unnecessary returns. In particular, IRS considers a return to be unnecessary if it

- is filed by a U.S. resident with income below the filing threshold;
- reports zero tax liability;
- includes no schedules A, C, D, E, F, or form 4797 (supplemental gain or loss); and
- claims no loss or credits.

Table III.2 shows limited IRS data on individual returns filed unnecessarily in 1999. According to IRS officials, the data are limited to filers younger than 24 and pensioners older than 64 in order to exclude filers who might be eligible for the Earned Income Credit (EIC). EIC claimants must file a return even if they have no tax liability. IRS does not have comparable data for years prior to 1999.⁵

⁴U.S. population data excludes some individuals who are generally required to file tax returns, particularly U.S. citizens living abroad who are not members of U.S. armed forces. Conversely, some individuals in the U.S. population are not counted as filers or dependents on tax returns, particularly individuals who are not required to file because their income falls below specified filing thresholds.

⁵IRS published data on nonfiling in tax years 1979-1991 in a November 1996 study titled "The Determinants of Individual Income Tax Compliance: Estimating the Impacts of Tax Policy, Enforcement, and IRS Responsiveness." The study estimated that about 14 percent of all individual returns filed in 1979-1991 were not required. However, returns filed solely to claim the EIC were counted as "not required."

Enclosure III

Table III.2: IRS Data on Certain Returns Filed Unnecessarily in 1999

Category	Unnecessary returns
Filing for refund, age 15 to 23	3,315,502
Filing for refund, pensioners age 65 or older	318,512
No refund claimed, age 15 to 23 or 65 or older	538,503
Total	4,171,517

Source: IRS data.

Most of the unnecessary returns were filed to claim refunds, generally by people who were from 15 to 23 years old. However, the returns claiming refunds generally would not have been required if taxes had not been withheld. IRS advised these taxpayers to adjust their withholding appropriately using form W-4, employee's withholding allowance certificate, or W-4P, withholding certificate for pension or annuity payments.⁶

Question 11: Provide the number of corporate returns, total assets, and receipts for the most recent tax years available.

Table III.3 summarizes the number of corporate returns (1120 series returns), total assets, and total receipts for tax years 1990 through 1997. Tables III.4 through III.11 show the type and number of corporate returns, assets, and receipts by Statistics of Income (SOI) industry classification, for tax years 1990 through 1997. Tables III.12 through III.19 show the type and number of corporate returns, assets, and receipts based on the size of corporate assets.

Table III.3: Corporate Returns, Assets, and Receipts, Tax Years 1990 -1997

Dollars in thousands

Tax year	Number of returns ^a	Total assets	Total receipts
1990	3,716,650	\$18,190,057,608	\$11,409,520,074
1991	3,802,788	19,029,508,838	11,440,090,940
1992	3,869,023	21,156,667,015	11,742,134,728
1993	3,964,629	21,815,869,373	12,269,721,710
1994	4,342,368	23,446,206,585	13,360,007,156
1995	4,474,167	26,013,689,000	14,539,050,114
1996	4,631,370	28,642,263,127	15,525,718,006
1997	4,710,083	33,029,652,126	16,609,707,302

^aThe types of returns are the 1120, 1120A, 1120S, and other types of 1120s that cannot be identified separately.

Source: IRS Statistics of Income (SOI) bulletins and tapes (corporate).

⁶Certain taxpayers—such as those who had a tax liability in the prior year—are not allowed to claim exemption from withholding.

Enclosure III

Table III.4: Type and Number of Corporate Returns, Assets, and Receipts by Industry Classification, Tax Year 1990

Dollars in thousands

Industry	Type of return	Number of returns	Total assets	Total receipts
Agriculture, forestry, and fishing	1120	61,070	\$46,596,769	\$61,033,772
	1120A	10,121	660,464	870,090
	1120S	54,971	21,081,149	26,108,382
	Other	261	0	88,821
Total		126,423	\$68,338,381	\$88,101,065
Mining	1120	19,938	207,932,227	99,534,663
	1120A	3,348	120,144	208,992
	1120S	16,030	11,145,270	11,069,493
	Other	358	0	631,308
Total		39,674	\$219,197,640	\$111,444,457
Construction	1120	224,132	172,696,135	364,543,839
	1120A	24,652	885,091	2,999,161
	1120S	158,045	70,247,799	166,931,987
	Other	45	0	179,056
Total		406,874	\$243,829,026	\$534,654,044
Manufacturing	1120	173,539	3,782,400,230	3,387,349,097
	1120A	14,591	824,356	1,509,842
	1120S	113,289	138,099,169	297,357,534
	Other	250	0	2,477,421
Total		301,669	\$3,921,323,756	\$3,688,693,895
Transportation and public utilities	1120	82,684	1,488,322,086	873,733,416
	1120A	13,536	601,578	1,251,838
	1120S	63,957	33,122,074	60,312,629
	Other	175	0	979,179
Total		160,353	\$1,522,045,738	\$936,277,062
Wholesale and retail trade	1120	543,500	1,213,733,809	2,488,261,203
	1120A	59,308	2,902,470	7,065,162
	1120S	419,833	230,660,549	777,891,194
	Other	417	0	35,770,778
Total		1,023,057	\$1,447,296,828	\$3,308,988,335
Finance, insurance and real estate	1120	307,144	7,559,597,702	1,277,605,653
	1120A	43,206	2,617,296	2,243,070
	1120S	241,530	140,175,319	60,388,316
	Other	17,258	2,490,905,040	614,472,612
Total		609,138	\$10,193,295,357	\$1,954,709,651
Services	1120	427,225	470,444,279	550,197,705
	1120A	99,884	3,121,212	8,559,984
	1120S	501,733	99,276,776	219,873,675
	Other	606	0	698,245
Total		1,029,447	\$572,842,266	\$779,329,609
Not allocable	1120	9,268	1,243,267	6,371,197
	1120A	4,957	145,703	179,458
	1120S	5,705	499,647	769,452
	Other	87	0	1,848
Total		20,017	\$1,888,616	\$7,321,955
Grand total		3,716,650	\$18,190,057,608	\$11,409,520,074

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Not allocable = Amounts cannot be allocated among the various categories above because the nature of the business cannot be determined.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.5: Type and Number of Corporate Returns, Assets, and Receipts by Industry Classification, Tax Year 1991

Dollars in thousands

Industry	Type of return	Number of returns	Total assets	Total receipts
Agriculture, forestry, and fishing	1120	62,130	\$45,474,938	\$57,416,219
	1120A	8,929	823,735	649,550
	1120S	58,594	21,457,880	27,795,647
	Other	233	0	84,285
Total		129,886	\$67,756,553	\$85,945,700
Mining	1120	18,721	198,004,853	90,739,991
	1120A	4,054	254,029	331,884
	1120S	16,126	11,373,512	10,743,329
	Other	298	3,330,441	1,471,084
Total		39,199	\$212,962,835	\$103,286,287
Construction	1120	218,618	156,857,781	336,706,508
	1120A	21,256	751,944	2,033,074
	1120S	177,070	70,377,307	165,539,264
	Other	43	15,048,907	10,849,686
Total		416,987	\$243,035,939	\$515,128,533
Manufacturing	1120	168,067	3,308,840,876	3,055,226,090
	1120A	16,332	815,999	1,775,013
	1120S	115,417	140,079,028	300,579,225
	Other	305	578,624,135	300,920,979
Total		300,122	\$4,028,360,038	\$3,658,501,307
Transportation and public utilities	1120	82,666	1,344,334,743	819,495,141
	1120A	12,148	499,358	1,061,162
	1120S	70,009	35,012,540	63,753,848
	Other	158	193,977,625	70,634,440
Total		164,980	\$1,573,824,265	\$954,944,592
Wholesale and retail trade	1120	542,568	1,040,209,532	2,354,852,411
	1120A	55,640	2,378,000	6,518,492
	1120S	444,791	236,686,705	821,865,946
	Other	536	204,153,670	197,362,123
Total		1,043,534	\$1,483,427,907	\$3,380,598,972
Finance, insurance and real estate	1120	301,612	4,669,350,609	684,789,204
	1120A	42,132	2,827,372	2,143,194
	1120S	254,937	144,758,056	54,816,499
	Other	18,876	5,963,745,239	1,186,184,899
Total		617,557	\$10,780,681,276	\$1,927,933,796
Services	1120	415,016	494,693,769	537,262,497
	1120A	98,581	3,165,556	8,987,260
	1120S	547,414	108,433,973	235,890,633
	Other	646	30,458,276	27,584,078
Total		1,061,657	\$636,751,574	\$809,724,469
Not allocable	1120	11,284	1,161,460	1,871,031
	1120A	3,577	77,031	153,032
	1120S	13,913	1,469,960	2,000,186
	Other	94	0	3,037
Total		28,868	\$2,708,451	\$4,027,285
Grand total		3,802,788	\$19,029,508,838	\$11,440,090,940

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Not allocable = Amounts cannot be allocated among the various categories above because the nature of the business cannot be determined.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.6: Type and Number of Corporate Returns, Assets, and Receipts by Industry Classification, Tax Year 1992

Dollars in thousands

Industry	Type of return	Number of returns	Total assets	Total receipts
Agriculture, forestry, and fishing	1120	63,422	\$47,684,286	\$62,022,300
	1120A	9,158	812,366	904,687
	1120S	65,055	23,264,119	32,553,498
	Other	198	1,196,522	82,555
Total		137,833	\$72,957,293	\$95,563,041
Mining	1120	18,910	206,054,715	100,049,587
	1120A	1,856	176,325	202,354
	1120S	15,563	11,980,729	11,918,122
	Other	331	3,594,531	660,659
Total		36,660	\$221,806,300	\$112,830,722
Construction	1120	204,028	162,725,519	327,994,370
	1120A	25,040	962,236	3,894,407
	1120S	178,761	67,362,355	167,362,892
	Other	51	226,489	153,365
Total		407,881	\$231,276,599	\$499,405,033
Manufacturing	1120	166,521	3,960,285,844	3,429,546,233
	1120A	15,470	914,973	2,067,136
	1120S	117,812	151,922,987	326,547,950
	Other	268	1,959,906	2,104,518
Total		300,071	\$4,115,083,710	\$3,760,265,837
Transportation and public utilities	1120	89,352	1,604,097,067	925,949,677
	1120A	13,944	573,587	1,212,389
	1120S	74,886	37,327,173	70,076,118
	Other	101	6,847,737	402,396
Total		178,284	\$1,648,845,564	\$997,640,581
Wholesale and retail trade	1120	522,727	1,327,803,906	2,594,665,593
	1120A	62,270	3,055,197	8,049,350
	1120S	467,234	251,051,668	889,290,904
	Other	482	4,299,092	11,938,549
Total		1,052,713	\$1,586,209,863	\$3,503,944,396
Finance, insurance and real estate	1120	298,477	7,971,744,199	1,194,314,841
	1120A	45,499	3,364,567	2,661,104
	1120S	273,415	148,211,301	61,223,859
	Other	17,877	4,491,253,610	642,228,420
Total		635,268	\$12,614,573,677	\$1,900,428,224
Services	1120	408,786	541,988,632	596,543,596
	1120A	103,937	3,339,396	10,556,599
	1120S	587,071	116,253,091	261,504,463
	Other	656	2,360,697	928,764
Total		1,100,449	\$663,941,817	\$869,533,422
Not allocable	1120	10,711	1,188,717	934,435
	1120A	3,523	65,855	182,229
	1120S	5,574	717,252	1,405,155
	Other	56	369	1,654
Total		19,864	\$1,972,193	\$2,523,472
Grand total		3,869,023	\$21,156,667,015	\$11,742,134,728

Notes: Details may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Not allocable = Amounts cannot be allocated among the various categories above because the nature of the business cannot be determined.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.7: Type and Number of Corporate Returns, Assets, and Receipts by Industry Classification, Tax Year 1993

Dollars in thousands

Industry	Type of return	Number of returns	Total assets	Total receipts
Agriculture, forestry, and fishing	1120	66,892	\$47,993,419	\$62,065,920
	1120A	9,479	748,702	1,007,817
	1120S	64,764	25,904,714	35,129,407
	Other	191	0	97,932
Total		141,326	\$74,646,834	\$98,301,076
Mining	1120	16,232	210,072,067	99,078,355
	1120A	2,147	70,341	178,172
	1120S	16,645	13,876,252	12,545,527
	Other	322	0	319,095
Total		35,345	\$224,018,659	\$112,121,150
Construction	1120	199,571	165,528,004	339,982,362
	1120A	25,160	1,022,455	3,899,076
	1120S	192,495	73,885,115	194,263,829
	Other	24	0	120,984
Total		417,250	\$240,435,575	\$538,266,252
Manufacturing	1120	162,609	4,063,749,417	3,532,911,796
	1120A	17,447	924,522	2,367,862
	1120S	127,046	160,460,456	352,827,742
	Other	317	0	2,639,871
Total		307,419	\$4,225,134,395	\$3,890,747,271
Transportation and public utilities	1120	88,560	1,730,959,567	957,338,187
	1120A	10,427	448,157	1,017,053
	1120S	76,855	39,283,927	78,223,735
	Other	137	0	577,463
Total		175,979	\$1,770,691,651	\$1,037,156,438
Wholesale and retail trade	1120	524,690	1,427,478,659	2,721,121,036
	1120A	50,504	2,664,597	7,310,093
	1120S	497,321	272,690,248	969,967,843
	Other	465	0	11,095,772
Total		1,072,980	\$1,702,833,504	\$3,709,494,744
Finance, insurance and real estate	1120	292,007	8,715,368,706	1,184,491,382
	1120A	43,612	3,084,385	2,778,753
	1120S	286,428	158,740,491	64,830,031
	Other	19,350	3,954,486,754	688,215,573
Total		641,397	\$12,831,680,336	\$1,940,315,739
Services	1120	418,559	615,780,673	640,963,067
	1120A	103,894	4,045,402	10,617,669
	1120S	634,555	124,888,291	289,074,655
	Other	716	43,895	987,473
Total		1,157,724	\$744,758,261	\$941,642,864
Not allocable	1120	6,812	1,024,100	907,970
	1120A	2,957	76,588	33,015
	1120S	5,395	569,470	734,035
	Other	44	0	1,156
Total		15,208	\$1,670,158	\$1,676,176
Grand total		3,964,629	\$21,815,869,373	\$12,269,721,710

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Not allocable = Amounts cannot be allocated among the various categories above because the nature of the business cannot be determined.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.8: Type and Number of Corporate Returns, Assets, and Receipts by Industry Classification, Tax Year 1994

Dollars in thousands

Industry	Type of return	Number of returns	Total assets	Total receipts
Agriculture, forestry, and fishing	1120	67,723	\$52,527,642	\$63,903,925
	1120A	7,721	778,816	808,166
	1120S	71,336	26,586,848	36,139,788
	Other	217	0	55,273
Total		146,996	\$79,893,306	\$100,907,153
Mining	1120	17,910	225,728,103	104,199,119
	1120A	2,390	115,686	234,463
	1120S	14,726	13,883,922	10,998,013
	Other	344	0	255,712
Total		35,371	\$239,727,711	\$115,687,307
Construction	1120	209,202	166,749,140	371,915,271
	1120A	22,360	912,281	3,203,521
	1120S	201,354	81,432,123	217,455,805
	Other	49	0	185,793
Total		432,965	\$249,093,544	\$592,760,390
Manufacturing	1120	167,304	4,348,354,136	3,824,435,542
	1120A	15,244	817,498	1,641,592
	1120S	129,408	176,284,292	389,844,284
	Other	428	0	2,870,164
Total		312,383	\$4,525,455,926	\$4,218,791,582
Transportation and public utilities	1120	93,605	1,783,185,523	1,014,766,902
	1120A	10,582	483,445	1,066,907
	1120S	82,080	42,603,946	86,185,775
	Other	207	0	1,192,670
Total		186,474	\$1,826,272,914	\$1,103,212,254
Wholesale and retail trade	1120	534,970	1,494,860,380	2,953,074,353
	1120A	52,742	2,909,182	7,111,128
	1120S	517,812	297,397,978	1,075,844,032
	Other	838	0	16,196,303
Total		1,106,363	\$1,795,167,539	\$4,052,225,816
Finance, insurance and real estate	1120	307,098	9,512,417,378	1,227,731,152
	1120A	40,570	3,026,786	2,818,458
	1120S	314,490	167,295,993	71,621,176
	Other	19,512	4,212,554,388	674,320,562
Total		681,671	\$13,895,294,545	\$1,976,491,348
Services	1120	632,740	692,050,201	864,052,984
	1120A	102,683	3,766,927	10,877,419
	1120S	687,981	137,566,662	322,211,588
	Other	989	545,766	887,959
Total		1,424,394	\$833,929,557	\$1,198,029,951
Not allocable	1120	8,318	672,182	1,208,011
	1120A	2,833	71,386	48,601
	1120S	4,566	627,976	644,883
	Other	36	0	-139
Total		15,753	\$1,371,544	\$1,901,355
Grand total		4,342,368	\$23,446,206,585	\$13,360,007,156

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Not allocable = Amounts cannot be allocated among the various categories above because the nature of the business cannot be determined.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.9: Type and Number of Corporate Returns, Assets, and Receipts by Industry Classification, Tax Year 1995

Dollars in thousands

Industry	Type of return	Number of returns	Total assets	Total receipts
Agriculture, forestry, and fishing	1120	69,678	\$56,751,716	\$66,823,585
	1120A	5,582	635,206	544,802
	1120S	72,085	28,911,652	40,130,194
	Other	181	0	83,392
Total		147,527	\$86,298,574	\$107,581,973
Mining	1120	17,588	253,187,311	113,004,446
	1120A	2,481	152,009	329,081
	1120S	14,794	15,350,694	13,232,848
	Other	259	0	194,116
Total		35,123	\$268,690,014	\$126,760,491
Construction	1120	209,371	175,261,418	392,203,097
	1120A	24,294	971,834	3,536,898
	1120S	216,192	89,579,364	241,113,967
	Other	25	0	236,233
Total		449,882	\$265,812,616	\$637,090,195
Manufacturing	1120	167,717	4,749,671,143	4,149,538,439
	1120A	12,814	671,020	1,578,328
	1120S	138,856	190,730,367	431,543,312
	Other	312	0	2,889,682
Total		319,699	\$4,941,072,530	\$4,585,549,761
Transportation and public utilities	1120	88,840	1,855,053,047	1,059,835,879
	1120A	13,658	774,105	1,234,751
	1120S	91,822	47,386,627	94,665,458
	Other	137	0	973,890
Total		194,456	\$1,903,213,778	\$1,156,709,979
Wholesale and retail trade	1120	540,532	1,601,121,609	3,150,739,335
	1120A	53,845	2,889,985	7,414,448
	1120S	537,539	315,706,230	1,137,934,320
	Other	493	0	14,258,843
Total		1,132,409	\$1,919,717,823	\$4,310,346,947
Finance, insurance and real estate	1120	297,158	10,528,900,727	1,439,265,218
	1120A	42,146	3,293,255	2,722,062
	1120S	326,149	178,161,843	77,811,520
	Other	17,759	4,966,930,804	758,305,124
Total		683,211	\$15,677,286,629	\$2,278,103,923
Services	1120	648,833	795,137,293	956,100,144
	1120A	100,903	3,662,857	10,566,968
	1120S	753,890	151,374,381	368,278,859
	Other	604	562,926	748,588
Total		1,504,230	\$950,737,457	\$1,335,694,559
Not allocable	1120	4,102	461,435	836,200
	1120A	1,716	6,447	13,061
	1120S	1,791	391,697	362,984
	Other	22	0	42
Total		7,631	\$859,578	\$1,212,287
Grand total		4,474,167	\$26,013,689,000	\$14,539,050,114

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Not allocable = Amounts cannot be allocated among the various categories above because the nature of the business cannot be determined.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.10: Type and Number of Corporate Returns, Assets, and Receipts by Industry Classification, Tax Year 1996

Dollars in thousands

Industry	Type of return	Number of returns	Total assets	Total receipts
Agriculture, forestry, and fishing	1120	67,748	\$60,974,193	\$70,455,220
	1120A	8,315	736,319	731,752
	1120S	82,712	32,429,606	48,474,500
	Other	188	0	75,586
Total		158,963	\$94,140,118	\$119,737,058
Mining	1120	18,702	283,290,899	126,378,540
	1120A	918	32,474	138,170
	1120S	15,950	15,782,858	14,563,056
	Other	230	0	198,325
Total		35,799	\$299,106,231	\$141,278,092
Construction	1120	215,293	184,381,909	429,938,275
	1120A	21,852	934,227	3,572,600
	1120S	234,047	99,279,070	276,283,862
	Other	38	0	672,486
Total		471,230	\$284,595,206	\$710,467,223
Manufacturing	1120	170,608	5,222,776,316	4,445,128,547
	1120A	13,571	805,383	1,638,695
	1120S	141,171	201,602,874	450,440,118
	Other	338	0	5,461,762
Total		325,689	\$5,425,184,573	\$4,902,669,122
Transportation and public utilities	1120	95,459	2,017,507,130	1,145,451,269
	1120A	11,846	595,278	1,118,125
	1120S	98,311	51,350,614	109,038,953
	Other	161	0	1,402,293
Total		205,777	\$2,069,453,023	\$1,257,010,639
Wholesale and retail trade	1120	532,505	1,677,979,920	3,240,774,315
	1120A	52,585	2,722,487	7,159,213
	1120S	556,908	335,529,756	1,225,474,736
	Other	493	0	16,665,343
Total		1,142,491	\$2,016,232,163	\$4,490,073,608
Finance, insurance and real estate	1120	303,882	9,607,200,988	1,019,756,495
	1120A	42,265	3,481,094	2,905,961
	1120S	356,778	198,654,779	87,396,401
	Other	20,828	7,550,716,303	1,296,796,393
Total		723,754	\$17,360,053,164	\$2,406,855,250
Services	1120	652,132	923,163,166	1,078,799,806
	1120A	89,026	3,780,847	10,356,147
	1120S	815,494	165,366,124	406,198,180
	Other	750	0	861,419
Total		1,557,401	\$1,092,310,137	\$1,496,215,552
Not allocable	1120	6,011	808,901	1,081,711
	1120A	1,159	14,358	105,108
	1120S	3,046	365,255	224,366
	Other	50	0	277
Total		10,266	\$1,188,514	\$1,411,462
Grand total		4,631,370	\$28,642,263,127	\$15,525,718,006

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Not allocable = Amounts cannot be allocated among the various categories above because the nature of the business cannot be determined.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.11: Type and Number of Corporate Returns, Assets, and Receipts by Industry Classification, Tax Year 1997

Dollars in thousands

Industry	Type of return	Number of returns	Total assets	Total receipts
Agriculture, forestry, and fishing	1120	68,001	\$56,883,963	\$65,312,474
	1120A	6,657	755,547	720,886
	1120S	88,270	34,344,520	51,202,714
	Other	186	0	151,480
Total		163,114	\$91,984,030	\$117,387,555
Mining	1120	14,942	306,809,895	135,073,518
	1120A	1,407	54,773	137,183
	1120S	16,403	17,430,158	14,976,849
	Other	245	0	130,713
Total		32,996	\$324,294,826	\$150,318,264
Construction	1120	207,507	192,517,389	442,527,567
	1120A	19,117	1,000,517	3,284,262
	1120S	261,104	121,033,443	332,647,323
	Other	55	0	555,321
Total		487,783	\$314,551,349	\$779,014,473
Manufacturing	1120	159,866	5,737,925,822	4,682,784,788
	1120A	11,478	719,572	1,211,068
	1120S	153,249	227,661,004	488,763,265
	Other	452	0	4,904,648
Total		325,045	\$5,966,306,398	\$5,177,663,769
Transportation and public utilities	1120	92,946	2,159,711,862	1,214,337,276
	1120A	10,464	648,219	815,019
	1120S	105,803	58,659,212	114,202,022
	Other	199	0	1,372,114
Total		209,412	\$2,219,019,293	\$1,330,726,431
Wholesale and retail trade	1120	519,142	1,574,495,536	3,343,104,740
	1120A	46,375	2,330,815	6,321,061
	1120S	583,006	371,105,598	1,337,278,598
	Other	608	0	17,112,454
Total		1,149,132	\$1,947,931,949	\$4,703,816,853
Finance, insurance and real estate	1120	298,296	11,323,298,523	1,124,933,650
	1120A	41,008	3,403,594	2,422,288
	1120S	382,153	292,569,402	104,017,724
	Other	23,089	9,286,348,384	1,479,896,174
Total		744,545	\$20,905,619,903	\$2,711,269,836
Services	1120	646,804	1,071,636,547	1,175,401,556
	1120A	84,463	3,343,539	9,452,356
	1120S	860,445	184,401,457	451,975,219
	Other	1,141	0	1,758,773
Total		1,592,854	\$1,259,381,543	\$1,638,587,903
Not allocable	1120	2,361	269,276	733,868
	1120A	971	25,066	13,874
	1120S	1,821	268,493	173,806
	Other	48	0	669
Total		5,201	\$562,836	\$922,217
Grand total		4,710,083	\$33,029,652,126	\$16,609,707,302

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Not allocable = Amounts cannot be allocated among the various categories above because the nature of the business cannot be determined.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.12: Type and Number of Corporate Returns, Assets, and Receipts by Asset Size, Tax Year 1990
Dollars in thousands

Assets	Type	Number of returns	Total assets	Total receipts
Less than \$100,000	1120	867,456	\$27,490,466	\$232,393,571
	1120A	238,770	5,441,836	19,362,299
	1120S	995,153	26,690,076	163,529,746
	Other	10,455	17,076	115,893,008
Total		2,111,834	\$59,639,454	\$531,178,624
\$100,000 to \$1,000,000	1120	754,745	259,360,858	701,042,977
	1120A	34,833	6,436,477	5,525,298
	1120S	455,085	147,608,558	343,604,971
	Other	1,348	618,962	412,985
Total		1,246,011	\$414,024,855	\$1,050,586,231
\$1,000,000 to \$10,000,000	1120	185,944	497,049,391	1,005,906,681
	1120S	115,197	314,062,822	674,963,117
	Other	2,636	10,214,583	5,159,120
Total		303,777	\$821,326,797	\$1,686,028,918
\$10,000,000 to \$25,000,000	1120	16,897	265,979,404	359,837,604
	1120S	7,127	106,154,077	209,206,579
	Other	1,132	18,877,589	4,795,523
Total		25,156	\$391,011,070	\$573,839,707
\$25,000,000 to \$50,000,000	1120	8,485	299,414,258	297,571,703
	1120S	1,674	57,474,534	98,612,716
	Other	862	31,315,251	6,422,169
Total		11,020	\$388,204,043	\$402,606,589
\$50,000,000 to \$100,000,000	1120	5,971	421,434,733	298,626,061
	1120S	603	40,760,630	69,824,158
	Other	822	59,428,590	12,840,398
Total		7,396	\$521,623,953	\$381,290,617
\$100,000,000 to \$250,000,000	1120	4,669	724,517,687	510,413,586
	1120S	207	29,938,105	39,911,213
	Other	967	156,500,529	27,530,312
Total		5,843	\$910,956,321	\$577,855,111
More than \$250,000,000	1120	4,331	12,447,719,707	5,702,838,362
	1120S	47	21,618,950	21,050,163
	Other	1,235	2,213,932,460	482,245,753
Total		5,613	\$14,683,271,116	\$6,206,134,278
Grand total		3,716,650	\$18,190,057,608	\$11,409,520,074

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.13: Type and Number of Corporate Returns, Assets, and Receipts by Asset Size, Tax Year 1991
Dollars in thousands

Assets	Type	Number of returns	Total assets	Total receipts
Less than \$100,000	1120	854,206	\$26,549,260	\$208,772,144
	1120A	228,140	5,252,189	18,360,979
	1120S	1,083,486	29,011,567	184,041,109
	Other	11,029	17,448	104,375,095
Total		2,176,862	\$60,830,464	\$515,549,327
\$100,000 to \$1,000,000	1120	743,369	254,528,794	670,523,553
	1120A	34,508	6,340,835	5,291,682
	1120S	486,200	157,262,910	361,151,218
	Other	1,283	615,011	325,845
Total		1,265,360	\$418,747,551	\$1,037,292,299
\$1,000,000 to \$10,000,000	1120	183,846	488,261,172	974,220,226
	1120S	118,752	321,778,394	692,794,086
	Other	2,903	12,110,991	4,888,602
Total		305,500	\$822,150,557	\$1,671,902,914
\$10,000,000 to \$25,000,000	1120	16,347	257,757,522	348,114,104
	1120S	7,229	107,606,767	209,458,221
	Other	1,045	17,409,850	4,875,307
Total		24,621	\$382,774,138	\$562,447,632
\$25,000,000 to \$50,000,000	1120	8,375	295,775,691	285,242,379
	1120S	1,736	60,012,318	100,515,119
	Other	891	32,133,796	6,381,568
Total		11,002	\$387,921,806	\$392,139,067
\$50,000,000 to \$100,000,000	1120	5,972	421,103,865	308,468,259
	1120S	595	39,682,124	64,452,028
	Other	938	67,342,800	14,035,297
Total		7,506	\$528,128,788	\$386,955,584
\$100,000,000 to \$250,000,000	1120	4,527	701,281,755	476,689,956
	1120S	217	30,545,835	47,030,466
	Other	1,233	200,944,047	40,728,531
Total		5,977	\$932,771,637	\$564,448,952
More than \$250,000,000	1120	4,037	8,813,670,502	4,666,328,471
	1120S	56	23,749,045	23,542,330
	Other	1,868	6,658,764,350	1,619,484,365
Total		5,961	\$15,496,183,898	\$6,309,355,166
Grand total		3,802,788	\$19,029,508,838	\$11,440,090,940

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.14: Type and Number of Corporate Returns, Assets, and Receipts by Asset Size, Tax Year 1992
Dollars in thousands

Assets	Type	Number of returns	Total assets	Total receipts
Less than \$100,000	1120	844,417	\$26,286,796	\$216,636,432
	1120A	241,547	5,929,043	23,190,129
	1120S	1,134,943	29,075,365	200,927,867
	Other	3,514	82,148	5,282,102
Total		2,224,420	\$61,373,351	\$446,036,529
\$100,000 to \$1,000,000	1120	717,514	247,301,240	642,059,026
	1120A	39,151	7,335,459	6,540,126
	1120S	515,113	165,875,799	389,468,822
	Other	5,166	2,241,306	976,446
Total		1,276,944	\$422,753,803	\$1,039,044,420
\$1,000,000 to \$10,000,000	1120	181,384	481,441,253	978,045,500
	1120S	125,009	339,395,034	743,718,910
	Other	4,706	16,463,459	6,814,754
Total		311,098	\$837,299,746	\$1,728,579,164
\$10,000,000 to \$25,000,000	1120	15,979	251,383,086	351,312,572
	1120S	7,593	114,265,375	235,054,726
	Other	1,140	18,794,624	4,820,152
Total		24,712	\$384,443,085	\$591,187,450
\$25,000,000 to \$50,000,000	1120	8,347	296,145,238	292,606,903
	1120S	1,803	61,996,487	106,496,610
	Other	1,103	39,564,879	6,138,514
Total		11,253	\$397,706,604	\$405,242,028
\$50,000,000 to \$100,000,000	1120	6,061	428,229,020	310,332,210
	1120S	636	42,617,841	66,269,503
	Other	1,085	78,113,483	10,959,493
Total		7,783	\$548,960,344	\$387,561,206
\$100,000,000 to \$250,000,000	1120	4,744	734,763,514	499,605,892
	1120S	222	32,179,238	56,772,796
	Other	1,326	215,548,494	27,191,115
Total		6,292	\$982,491,247	\$583,569,803
More than \$250,000,000	1120	4,487	13,358,022,739	5,941,422,096
	1120S	52	22,685,536	23,173,728
	Other	1,982	4,140,930,560	596,318,304
Total		6,521	\$17,521,638,835	\$6,560,914,128
Grand total		3,869,023	\$21,156,667,015	\$11,742,134,728

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.15: Type and Number of Corporate Returns, Assets, and Receipts by Asset Size, Tax Year 1993
Dollars in thousands

Assets	Type	Number of returns	Total assets	Total receipts
Less than \$100,000	1120	846,401	\$26,530,547	\$224,804,678
	1120A	225,383	5,381,516	22,069,828
	1120S	1,205,690	31,297,814	213,370,511
	Other	10,897	17,473	72,545,264
Total		2,288,372	\$63,227,350	\$532,790,282
\$100,000 to \$1,000,000	1120	705,050	245,383,897	644,489,565
	1120A	40,244	7,703,632	7,139,681
	1120S	551,937	178,535,369	428,450,540
	Other	1,193	583,907	426,051
Total		1,298,425	\$432,206,804	\$1,080,505,837
\$1,000,000 to \$10,000,000	1120	184,096	492,129,249	1,005,966,801
	1120S	132,507	359,879,381	801,042,547
	Other	2,581	10,315,546	3,829,257
Total		319,184	\$862,324,176	\$1,810,838,605
\$10,000,000 to \$25,000,000	1120	16,502	259,049,927	381,827,840
	1120S	8,378	125,340,551	270,050,248
	Other	1,017	16,751,153	4,699,320
Total		25,897	\$401,141,632	\$656,577,409
\$25,000,000 to \$50,000,000	1120	8,343	295,264,489	297,900,275
	1120S	2,003	68,430,333	121,106,145
	Other	1,019	36,587,895	5,177,887
Total		11,365	\$400,282,717	\$424,184,307
\$50,000,000 to \$100,000,000	1120	6,101	431,758,367	323,824,380
	1120S	694	46,635,527	78,917,133
	Other	1,174	84,563,305	9,934,618
Total		7,970	\$562,957,199	\$412,676,131
\$100,000,000 to \$250,000,000	1120	4,829	750,002,056	513,113,239
	1120S	237	34,255,122	55,466,817
	Other	1,525	246,054,500	31,325,718
Total		6,592	\$1,030,311,679	\$599,905,773
More than \$250,000,000	1120	4,607	14,477,836,079	6,146,933,298
	1120S	58	25,924,867	29,192,862
	Other	2,159	3,559,656,870	576,117,205
Total		6,824	\$18,063,417,817	\$6,752,243,366
Grand total		3,964,629	\$21,815,869,373	\$12,269,721,710

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.16: Type and Number of Corporate Returns, Assets, and Receipts by Asset Size, Tax Year 1994
Dollars in thousands

Assets	Type	Number of returns	Total assets	Total receipts
Less than \$100,000	1120	1,026,863	\$31,779,249	\$325,529,141
	1120A	217,417	5,139,798	20,758,980
	1120S	1,279,577	32,384,048	220,363,791
	Other	11,235	19,823	87,154,655
Total		2,535,093	\$69,322,918	\$653,806,567
\$100,000 to \$1,000,000	1120	776,522	264,103,137	739,388,454
	1120A	39,708	7,742,208	7,051,276
	1120S	588,694	189,313,043	469,140,553
	Other	1,172	575,918	285,971
Total		1,406,096	\$461,734,306	\$1,215,866,255
\$1,000,000 to \$10,000,000	1120	193,688	521,788,585	1,100,588,582
	1120S	143,150	391,844,138	889,211,482
	Other	2,674	10,559,919	3,579,580
Total		339,512	\$924,192,642	\$1,993,379,644
\$10,000,000 to \$25,000,000	1120	17,276	269,686,746	406,509,620
	1120S	9,053	134,533,153	302,818,191
	Other	1,246	20,258,701	4,832,206
Total		27,575	\$424,478,600	\$714,160,018
\$25,000,000 to \$50,000,000	1120	8,618	303,946,552	314,400,132
	1120S	2,188	74,726,797	141,141,933
	Other	1,113	40,655,196	5,768,010
Total		11,919	\$419,328,545	\$461,310,075
\$50,000,000 to \$100,000,000	1120	6,175	436,943,346	349,068,949
	1120S	749	50,593,331	89,054,237
	Other	1,289	93,662,095	11,508,046
Total		8,213	\$581,198,773	\$449,631,231
\$100,000,000 to \$250,000,000	1120	4,983	776,752,666	560,546,487
	1120S	285	42,665,964	70,843,881
	Other	1,624	265,815,229	27,117,187
Total		6,892	\$1,085,233,859	\$658,507,555
More than \$250,000,000	1120	4,744	15,671,544,405	6,629,255,893
	1120S	58	27,619,266	28,371,276
	Other	2,267	3,781,553,273	555,718,642
Total		7,069	\$19,480,716,943	\$7,213,345,811
Grand total		4,342,368	\$23,446,206,585	\$13,360,007,156

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.17: Type and Number of Corporate Returns, Assets, and Receipts by Asset Size, Tax Year 1995
Dollars in thousands

Assets	Type	Number of returns	Total assets	Total receipts
Less than \$100,000	1120	1,025,610	\$31,631,440	\$341,028,735
	1120A	216,668	5,202,681	20,792,123
	1120S	1,365,124	35,647,736	249,740,913
	Other	7,665	13,578	84,669,039
Total		2,615,066	\$72,495,435	\$696,230,811
\$100,000 to \$1,000,000	1120	773,210	265,719,685	757,175,213
	1120A	40,771	7,854,036	7,148,277
	1120S	622,895	201,684,033	511,904,913
	Other	1,095	525,224	301,251
Total		1,437,971	\$475,782,978	\$1,276,529,654
\$1,000,000 to \$10,000,000	1120	202,189	541,101,753	1,154,139,729
	1120S	151,489	414,498,785	921,512,867
	Other	2,894	11,440,155	4,882,639
Total		356,572	\$967,040,693	\$2,080,535,236
\$10,000,000 to \$25,000,000	1120	17,788	276,553,261	440,965,909
	1120S	9,949	147,978,255	340,638,811
	Other	1,341	21,929,225	5,220,838
Total		29,078	\$446,460,741	\$786,825,559
\$25,000,000 to \$50,000,000	1120	8,696	307,749,559	346,666,735
	1120S	2,462	84,952,011	170,206,987
	Other	1,192	43,808,952	5,504,691
Total		12,350	\$436,510,521	\$522,378,413
\$50,000,000 to \$100,000,000	1120	6,231	442,785,504	367,030,941
	1120S	820	55,866,236	98,100,812
	Other	1,302	93,950,989	10,451,131
Total		8,353	\$592,602,729	\$475,582,883
\$100,000,000 to \$250,000,000	1120	5,175	805,022,932	597,336,703
	1120S	311	45,765,097	70,284,415
	Other	1,727	281,194,086	30,049,475
Total		7,213	\$1,131,982,116	\$697,670,593
More than \$250,000,000	1120	4,920	17,344,981,564	7,324,002,378
	1120S	68	31,200,703	42,683,742
	Other	2,575	4,514,631,522	636,610,845
Total		7,563	\$21,890,813,788	\$8,003,296,965
Grand total		4,474,167	\$26,013,689,000	\$14,539,050,114

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.18: Type and Number of Corporate Returns, Assets, and Receipts by Asset Size, Tax Year 1996
Dollars in thousands

Assets	Type	Number of returns	Total assets	Total receipts
Less than \$100,000	1120	1,033,494	\$31,571,292	\$374,510,632
	1120A	200,123	5,036,530	20,395,580
	1120S	1,453,376	37,658,098	275,522,725
	Other	9,772	13,720	96,469,124
Total		2,696,765	\$74,279,640	\$766,898,060
\$100,000 to \$1,000,000	1120	779,070	267,979,375	759,152,234
	1120A	41,413	8,065,937	7,330,192
	1120S	674,825	217,103,736	569,990,263
	Other	1,211	591,858	335,607
Total		1,496,519	\$493,740,907	\$1,336,808,295
\$1,000,000 to \$10,000,000	1120	206,256	554,669,158	1,191,553,123
	1120S	161,676	446,729,624	1,005,393,831
	Other	2,939	12,062,502	7,304,003
Total		370,871	\$1,013,461,284	\$2,204,250,957
\$10,000,000 to \$25,000,000	1120	18,182	283,864,455	457,061,767
	1120S	10,719	161,673,048	358,917,013
	Other	1,431	23,827,263	6,526,183
Total		30,331	\$469,364,766	\$822,504,963
\$25,000,000 to \$50,000,000	1120	8,806	311,175,842	354,099,214
	1120S	2,491	85,417,587	170,599,902
	Other	1,292	46,990,009	8,190,774
Total		12,589	\$443,583,438	\$532,889,889
\$50,000,000 to \$100,000,000	1120	6,214	440,621,444	382,714,966
	1120S	887	60,273,649	106,134,471
	Other	1,367	99,154,377	13,594,652
Total		8,468	\$600,049,469	\$502,444,088
\$100,000,000 to \$250,000,000	1120	5,287	819,653,988	614,345,113
	1120S	351	50,302,032	77,178,786
	Other	1,955	319,034,407	41,837,472
Total		7,594	\$1,188,990,428	\$733,361,372
More than \$250,000,000	1120	5,032	17,268,547,867	7,424,327,130
	1120S	92	41,203,162	54,357,181
	Other	3,110	7,049,042,165	1,147,876,070
Total		8,234	\$24,358,793,194	\$8,626,560,380
Grand total		4,631,370	\$28,642,263,127	\$15,525,718,006

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.19: Type and Number of Corporate Returns, Assets, and Receipts by Asset Size, Tax Year 1997
Dollars in thousands

Assets	Type	Number of returns	Total assets	Total receipts
Less than \$100,000	1120	1,003,655	\$30,168,805	\$444,227,943
	1120A	182,611	4,336,024	17,672,123
	1120S	1,540,287	39,024,602	289,127,754
	Other	11,826	13,533	119,363,348
Total		2,738,379	\$73,542,965	\$870,391,168
\$100,000 to \$1,000,000	1120	754,610	262,041,699	739,970,413
	1120A	39,329	7,945,617	6,705,876
	1120S	718,329	232,134,283	612,745,583
	Other	1,178	574,844	309,125
Total		1,513,446	\$502,696,443	\$1,359,730,997
\$1,000,000 to \$10,000,000	1120	208,108	558,975,258	1,199,803,563
	1120S	176,780	503,330,762	1,113,803,157
	Other	3,120	12,951,115	5,547,288
Total		388,008	\$1,075,257,135	\$2,319,154,008
\$10,000,000 to \$25,000,000	1120	18,395	287,149,178	455,307,978
	1120S	11,976	180,865,125	392,456,044
	Other	1,391	22,930,133	6,294,556
Total		31,761	\$490,944,435	\$854,058,579
\$25,000,000 to \$50,000,000	1120	8,402	297,348,440	344,794,052
	1120S	2,986	101,826,732	188,589,459
	Other	1,343	49,751,692	8,526,425
Total		12,731	\$448,926,864	\$541,909,935
\$50,000,000 to \$100,000,000	1120	6,098	431,504,103	394,468,583
	1120S	1,177	80,241,769	121,277,372
	Other	1,447	104,220,470	13,767,671
Total		8,723	\$615,966,342	\$529,513,626
\$100,000,000 to \$250,000,000	1120	5,310	829,171,637	621,000,412
	1120S	562	82,767,918	108,994,817
	Other	2,125	343,492,124	43,679,159
Total		7,997	\$1,255,431,679	\$773,674,387
More than \$250,000,000	1120	5,288	19,727,189,691	7,984,636,494
	1120S	156	87,282,098	68,243,332
	Other	3,593	8,752,414,473	1,308,394,775
Total		9,037	\$28,566,886,262	\$9,361,274,601
Grand total		4,710,083	\$33,029,652,126	\$16,609,707,302

Notes: Detail may not add to totals because of statistical sampling and rounding.

Other = Other types of 1120s.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Question 12: How many taxpayers filed each of the main individual tax forms (i.e., Schedules 1040, 1040EZ, Schedules A, D, etc.) for the most recent tax years such information is available? If possible, break down the number of taxpayers by filing status or type of taxpayer.

Tables III.20 through III.23 provide the number of tax forms filed by taxpayer filing status. Tables III.24 through III.27 provide the number of forms and schedules filed by taxpayers reporting incomes greater than or equal to an adjusted gross income of \$50,000. Tables III.28 through III.31 provide the number of forms and schedules filed by the top 20 percent of income earners. Tables III.32 and III.33 provide return information on taxpayers according to their ages. IRS' data include electronically-filed returns in the totals for paper forms 1040, 1040A, and 1040EZ.

Enclosure III

Table III.20: Tax Forms Filed by Taxpayer Filing Status, Tax Years 1990-93
In thousands

Tax form filed	Tax year			
	1990	1991	1992	1993
1040				
Single	22,898	20,661	20,807	20,723
Married filing jointly	39,392	35,080	36,171	36,789
Married filing separately	1,463	1,302	1,511	1,515
Head of household	5,451	4,896	4,956	5,026
Widow(er) with dependent child	67	49	49	27
Total	69,270	61,988	63,494	64,080
1040A				
Single	8,446	7,603	7,456	7,381
Married filing jointly	8,986	9,761	9,724	8,629
Married filing separately	732	825	797	791
Head of household	7,709	8,167	9,064	9,785
Widow(er) with dependent child	45	33	43	29
Total	25,917	26,389	27,085	26,615
1040EZ				
Single	18,530	19,093	18,256	18,702
Married filing jointly	0	0	0	989
Total	18,530	19,093	18,256	19,691
1040PC				
Single	^a	2,474	2,063	1,762
Married filing jointly	^a	3,880	2,126	1,892
Married filing separately	^a	172	149	131
Head of household	^a	724	431	430
Widow(er) with dependent child	^a	11	1	0
Total	^a	7,261	4,770	4,215
Grand total	113,717	114,731	113,605	114,602

Notes: Detail may not add to totals because of statistical sampling and rounding.

^aTax year 1990 data are not available for the 1040PC because it was not used until tax year 1991.

Source: IRS Statistics of Income (SOI) tapes.

Enclosure III

Table III.21: Tax Forms Filed by Filing Status, Tax Years 1994-97

In thousands

Tax form	Tax year			
	1994	1995	1996	1997
1040				
Single	21,773	21,184	22,312	23,919
Married filing jointly	37,427	36,507	36,448	37,046
Married filing separately	1,593	1,628	1,638	1,586
Head of household	5,544	5,368	5,787	6,180
Widow(er) with dependent child	54	87	81	50
Total	66,391	64,775	66,265	68,782
1040A				
Single	7,601	6,503	6,670	6,624
Married filing jointly	8,340	7,815	7,229	7,304
Married filing separately	814	808	723	813
Head of household	9,260	9,314	9,946	10,034
Widow(er) with dependent child	36	23	12	4
Total	26,051	24,463	24,579	24,780
1040EZ				
Single	19,312	20,257	19,982	20,009
Married filing jointly	1,195	1,387	1,214	1,145
Total	20,508	21,644	21,196	21,155
1040PC				
Single	1,189	2,891	3,360	3,166
Married filing jointly	1,426	3,208	3,936	3,670
Married filing separately	73	187	185	221
Head of household	304	811	822	641
Widow(er) with dependent child	1	5	9	7
Total	2,993	7,103	8,311	7,705
1040T				
Single	a	52	a	a
Married filing jointly	a	119	a	a
Married filing separately	a	4	a	a
Head of household	a	58	a	a
Total	a	233	a	a
Grand total	115,943	118,218	120,351	122,422

Notes: Detail may not add to totals because of statistical sampling and rounding.

^aTax form 1040T was introduced in tax year 1995 and used for only that year on an experimental basis.

Source: IRS Statistics of Income (SOI) tapes.

Enclosure III

Table III.22: Return Schedules Filed by Filing Status, Tax Years 1990-93
In thousands

Schedules filed by filing status	Tax year			
	1990	1991	1992	1993
Single				
No schedule filed	34,677	29,834	29,364	29,384
Schedule A filed	7,759	7,424	7,201	7,572
Schedule B filed	5,414	13,918	12,715	12,494
Schedule C filed	3,218	3,357	3,554	3,465
Schedule D filed	3,036	3,298	4,219	4,045
Schedule E filed	4,327	3,564	3,533	3,654
Schedule F filed	373	357	381	385
Married filing jointly				
No schedule filed	15,522	12,285	12,433	12,536
Schedule A filed	23,403	23,133	22,470	22,953
Schedule B filed	8,302	21,443	19,768	20,289
Schedule C filed	8,949	9,122	9,176	9,404
Schedule D filed	5,978	6,416	8,143	7,409
Schedule E filed	10,323	9,723	9,535	9,668
Schedule F filed	1,873	1,838	1,825	1,799
Married filing separately				
No schedule filed	1,209	1,247	1,258	1,223
Schedule A filed	697	702	841	833
Schedule B filed	207	417	427	445
Schedule C filed	277	244	302	293
Schedule D filed	170	155	178	160
Schedule E filed	218	200	183	192
Schedule F filed	20	22	20	38
Head of household				
No schedule filed	10,051	10,087	10,943	11,469
Schedule A filed	2,160	2,025	1,998	2,073
Schedule B filed	563	1,549	1,314	1,437
Schedule C filed	697	843	820	980
Schedule D filed	358	408	452	462
Schedule E filed	719	697	627	623
Schedule F filed	47	57	43	43
Widow(er) with dependent child				
No schedule filed	55	35	36	30
Schedule A filed	34	28	31	14
Schedule B filed	22	46	45	19
Schedule C filed	7	2	4	5
Schedule D filed	16	12	10	5
Schedule E filed	17	8	14	6
Schedule F filed	2	1	3	0

Note: Table columns are not totaled because taxpayers may file more than one of these schedules, resulting in duplicate counting.

Source: IRS Statistics of Income (SOI) tapes.

Enclosure III

Table III.23: Return Schedules Filed by Filing Status, Tax Years 1994-97

In thousands

Schedules filed by filing status	Tax year			
	1994	1995	1996	1997
Single				
No schedule filed	30,869	30,956	31,351	31,305
Schedule A filed	7,338	7,755	8,300	8,905
Schedule B filed	12,045	12,917	13,598	14,330
Schedule C filed	3,621	3,628	3,850	3,917
Schedule D filed	4,889	5,170	5,945	9,214
Schedule E filed	3,664	3,782	3,821	3,879
Schedule F filed	385	364	380	362
Schedule H filed	^a	73	72	74
Married filing jointly				
No schedule filed	12,579	12,625	11,916	11,655
Schedule A filed	22,684	23,148	23,693	24,214
Schedule B filed	19,661	20,361	21,066	21,409
Schedule C filed	9,473	9,626	9,639	9,713
Schedule D filed	9,560	9,723	10,290	14,225
Schedule E filed	9,792	9,803	9,949	10,015
Schedule F filed	1,763	1,770	1,724	1,725
Schedule H filed	^a	189	205	211
Married filing separately				
No schedule filed	1,201	1,309	1,153	1,226
Schedule A filed	919	947	980	1,003
Schedule B filed	437	485	509	518
Schedule C filed	274	295	308	305
Schedule D filed	213	243	249	308
Schedule E filed	217	212	227	243
Schedule F filed	38	35	35	32
Schedule H filed	^a	8	3	6
Head of household				
No schedule filed	11,354	11,644	12,216	12,228
Schedule A filed	2,049	2,123	2,400	2,470
Schedule B filed	1,335	1,424	1,521	1,678
Schedule C filed	1,019	1,087	1,267	1,378
Schedule D filed	581	633	663	1,063
Schedule E filed	617	657	692	734
Schedule F filed	49	41	53	39
Schedule H filed	^a	18	20	15
Widow(er) with dependent child				
No schedule filed	38	40	16	9
Schedule A filed	28	35	42	33
Schedule B filed	38	63	79	41
Schedule C filed	3	10	16	15
Schedule D filed	19	23	25	28
Schedule E filed	17	19	5	10
Schedule F filed	3	1	^b	^b
Schedule H filed	^a	1	^b	^b

Note: Table columns are not totaled because taxpayers may file more than one of these schedules, resulting in duplicate counting.

^aIRS schedule H was introduced in 1995.

^bFewer than 500 because of rounding to thousands.

Source: IRS Statistics of Income (SOI) tapes.

Enclosure III

Table III.24: Forms Filed With AGI of Greater Than or Equal to \$50,000, Tax Years 1990-93
In thousands

Forms filed by size of income	Tax year			
	1990	1991	1992	1993
1040				
AGI greater or equal to \$50,000	17,024	16,117	18,277	19,280
All other	52,247	45,870	45,216	44,801
Total	69,270	61,988	63,494	64,080
1040A				
AGI greater or equal to \$50,000	354	484	630	596
All other	25,563	25,905	26,455	26,019
Total	25,917	26,389	27,085	26,615
1040EZ				
AGI greater or equal to \$50,000	7	7	30	87
All other	18,522	19,086	18,226	19,604
Total	18,530	19,093	18,256	19,691
1040PC				
AGI greater or equal to \$50,000	^a	1,798	613	612
All other	^a	5,463	4,157	3,603
Total	^a	7,261	4,770	4,215
Grand total	113,717	114,731	113,605	114,601

Notes: Detail may not add to totals because of statistical sampling and rounding.

"All other" category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

^aTax year 1990 data are not available for the 1040PC because it was not used until tax year 1991.

Source: IRS Statistics of Income (SOI) tapes.

Table III.25: Forms Filed With AGI of Greater Than or Equal to \$50,000, Tax Years 1994-97
In thousands

Forms filed by size of income	Tax year			
	1994	1995	1996	1997
1040				
AGI greater or equal to \$50,000	20,844	21,921	23,336	25,602
All other	45,547	42,854	42,929	43,180
Total	66,391	64,775	66,265	68,782
1040A				
AGI greater or equal to \$50,000	747	773	786	969
All other	25,304	23,690	23,793	23,812
Total	26,051	24,463	24,579	24,780
1040EZ				
AGI greater or equal to \$50,000	135	180	172	199
All other	20,373	21,464	21,025	20,956
Total	20,508	21,644	21,197	21,155
1040PC				
AGI greater or equal to \$50,000	699	1,490	1,967	2,052
All other	2,294	5,613	6,344	5,653
Total	2,993	7,103	8,311	7,705
1040T				
AGI greater or equal to \$50,000	^a	36	^a	^a
AGI less than \$50,000	^a	197	^a	^a
Total	^a	233	^a	^a
Grand total	115,943	118,218	120,352	122,422

Notes: Detail may not add to totals because of statistical sampling and rounding.

"All other" category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

^aTax form 1040T was introduced in tax year 1995 and used for only that year on an experimental basis.

Source: IRS Statistics of Income (SOI) tapes.

Enclosure III

Table III.26: Return Schedules Filed With AGI of Greater Than or Equal to \$50,000, Tax Years 1990-93
In thousands

Schedules filed by size of income	Tax year			
	1990	1991	1992	1993
AGI greater or equal to \$50,000				
No schedule filed	1,256	958	1,284	1,397
Schedule A filed	14,739	15,386	15,966	16,772
Schedule B filed	5,288	11,315	11,023	11,847
Schedule C filed	3,138	3,275	3,486	3,749
Schedule D filed	3,816	4,149	5,476	5,096
Schedule E filed	5,671	5,476	5,578	5,787
Schedule F filed	442	449	469	506
All other				
No schedule filed	60,259	52,529	52,750	53,246
Schedule A filed	19,313	17,927	16,575	16,672
Schedule B filed	9,220	26,058	23,245	22,838
Schedule C filed	10,009	10,293	10,370	10,399
Schedule D filed	5,743	6,139	7,527	6,984
Schedule E filed	9,933	8,716	8,314	8,356
Schedule F filed	1,873	1,827	1,802	1,760

Notes: AGI = adjusted gross income.

Table columns are not totaled because taxpayers may file more than one of these schedules, resulting in duplicate counting.

"All other" category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

Source: IRS Statistics of Income (SOI) tapes.

Table III.27: Return Schedules Filed With AGI of Greater Than or Equal to \$50,000, Tax Years 1994-97
In thousands

Schedules filed by size of income	Tax year			
	1994	1995	1996	1997
AGI greater or equal to \$50,000				
No schedule filed	1,721	2,011	2,234	2,629
Schedule A filed	17,897	19,141	20,351	21,834
Schedule B filed	12,237	13,460	14,802	16,301
Schedule C filed	3,998	4,283	4,654	4,996
Schedule D filed	6,750	7,374	8,370	12,179
Schedule E filed	6,164	6,634	6,986	7,504
Schedule F filed	513	541	614	675
Schedule H filed	^a	222	248	263
All other				
No schedule filed	54,321	54,565	54,419	53,794
Schedule A filed	15,121	14,866	15,064	14,790
Schedule B filed	21,279	21,790	21,970	21,676
Schedule C filed	10,393	10,363	10,426	10,333
Schedule D filed	8,512	8,419	8,802	12,660
Schedule E filed	8,143	7,839	7,707	7,377
Schedule F filed	1,725	1,669	1,578	1,484
Schedule H filed	^a	67	52	44

Notes: AGI = adjusted gross income.

Table columns are not totaled because taxpayers may file more than one of these schedules, resulting in duplicate counting.

"All other" category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

^aIRS schedule H was introduced in 1995.

Source: IRS Statistics of Income (SOI) tapes.

Enclosure III

Table III.28: Forms Filed by Top 20 Percent of Income Earners and All Others, Tax Years 1990-93
In thousands

Forms filed by income category	Tax year			
	1990	1991	1992	1993
1040				
Top 20 percent	21,730	19,635	20,823	21,238
All other	47,541	42,353	42,670	42,843
Total	69,270	61,988	63,494	64,080
1040A				
Top 20 percent	980	1,051	1,057	850
All other	24,937	25,337	26,027	25,765
Total	25,917	26,389	27,085	26,615
1040EZ				
Top 20 percent	50	57	80	131
All other	18,480	19,036	18,176	19,561
Total	18,530	19,093	18,256	19,691
1040PC				
Top 20 percent	^a	2,205	753	702
All other	^a	5,056	4,017	3,513
Total	^a	7,261	4,770	4,215
Grand total	113,717	114,731	113,605	114,602

Notes: Detail may not add to totals because of statistical sampling and rounding.

"All other" category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

^aTax year 1990 data are not available for the 1040PC because it was not used until tax year 1991.

Source: IRS Statistics of Income (SOI) tapes.

Table III.29: Forms Filed by Top 20 Percent of Income Earners and All Others, Tax Years 1994-97
In thousands

Forms filed by income category	Tax year			
	1994	1995	1996	1997
1040				
Top 20 percent	21,487	21,324	21,646	22,255
All other	44,904	43,450	44,619	46,527
Total	66,391	64,775	66,265	68,782
1040A				
Top 20 percent	816	683	566	453
All other	25,235	23,780	24,013	24,327
Total	26,051	24,463	24,579	24,780
1040EZ				
Top 20 percent	162	156	109	66
All other	20,346	21,488	21,087	21,088
Total	20,508	21,644	21,196	21,155
1040PC				
Top 20 percent	715	1,446	1,757	1,707
All other	2,278	5,656	6,554	5,998
Total	2,993	7,103	8,311	7,705
1040T				
Top 20 percent	^a	30	^a	^a
All other	^a	203	^a	^a
Total	^a	233	^a	^a
Grand total	115,943	118,218	120,351	122,422

Notes: Detail may not add to totals because of statistical sampling and rounding.

"All other" category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

^aTax form 1040T was introduced in tax year 1995 and used for only that year on an experimental basis.

Source: IRS Statistics of Income (SOI) tapes.

Enclosure III

Table III.30: Return Schedules Filed by Top 20 Percent of Income Earners and All Others, Tax Years 1990-93
In thousands

Schedule filed by income category	Tax year			
	1990	1991	1992	1993
Top 20 percent				
No schedule filed	2,446	1,727	1,893	1,821
Schedule A filed	18,137	18,175	17,897	18,236
Schedule B filed	6,205	13,265	12,258	12,752
Schedule C filed	3,929	3,984	3,968	4,145
Schedule D filed	4,488	4,770	5,986	5,415
Schedule E filed	6,659	6,229	6,113	6,181
Schedule F filed	600	574	546	565
All other				
No schedule filed	59,070	51,761	52,141	52,822
Schedule A filed	15,915	15,137	14,643	15,208
Schedule B filed	8,303	24,107	22,010	21,933
Schedule C filed	9,218	9,585	9,887	10,003
Schedule D filed	5,071	5,518	7,017	6,665
Schedule E filed	8,945	7,963	7,779	7,961
Schedule F filed	1,715	1,701	1,726	1,701

Note: Table columns are not totaled because taxpayers may file more than one of these schedules, resulting in duplicate counting.

“All other” category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

Source: IRS Statistics of Income (SOI) tapes.

Table III.31: Return Schedules Filed by Top 20 Percent of Income Earners and All Others, Tax Years 1994-97
In thousands

Schedule filed by income category	Tax year			
	1994	1995	1996	1997
Top 20 percent				
No schedule filed	1,876	1,833	1,761	1,625
Schedule A filed	18,351	18,701	19,099	19,444
Schedule B filed	12,522	13,178	13,972	14,683
Schedule C filed	4,123	4,181	4,325	4,360
Schedule D filed	6,874	7,259	7,984	11,160
Schedule E filed	6,265	6,561	6,638	6,836
Schedule F filed	527	529	560	552
Schedule H filed	^a	222	245	261
All other				
No schedule filed	54,166	54,742	54,892	54,798
Schedule A filed	14,667	15,307	16,316	17,180
Schedule B filed	20,994	22,072	22,799	23,295
Schedule C filed	10,268	10,466	10,755	10,968
Schedule D filed	8,388	8,533	9,188	13,679
Schedule E filed	8,042	7,912	8,055	8,046
Schedule F filed	1,711	1,681	1,632	1,607
Schedule H filed	^a	67	55	45

Notes: Table columns are not totaled because taxpayers may file more than one of these schedules, resulting in duplicate counting.

“All other” category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

^aIRS schedule H was introduced in 1995.

Source: IRS Statistics of Income (SOI) tapes.

Enclosure III

Table III.32: Forms Filed by Taxpayers Aged 65 or Over and All Others, Tax Years 1990-93
In thousands

Forms filed by age and tax form	Tax year			
	1990	1991	1992	1993
1040				
Over 65	11,675	10,088	10,194	10,203
All other	57,595	51,900	53,300	53,877
Total	69,270	61,988	63,494	64,080
1040A				
Over 65	2,102	2,894	2,718	2,768
All other	23,815	23,495	24,367	23,847
Total	25,917	26,389	27,085	26,615
1040EZ				
Over 65	0	0	0	0
All other	18,530	19,093	18,256	19,691
Total	18,530	19,093	18,256	19,691
1040PC				
Over 65	^a	1,089	893	780
All other	^a	6,172	3,877	3,436
Total	^a	7,261	4,770	4,216
Grand total	113,717	114,731	113,605	114,602

Notes: Detail may not add to totals because of statistical sampling and rounding.

"All other" category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

^aTax year 1990 data are not available for the 1040PC because it was not used until tax year 1991.

Source: IRS Statistics of Income (SOI) tapes.

Table III.33: Forms Filed by Taxpayers Aged 65 or Over and All Others, Tax Years 1994-97
In thousands

Forms filed by age and tax form	Tax year			
	1994	1995	1996	1997
1040				
Over 65	10,750	10,441	11,044	11,155
All other	55,641	54,334	55,221	57,627
Total	66,391	64,775	66,265	68,782
1040A				
Over 65	2,669	2,610	2,632	2,862
All other	23,382	21,853	21,947	21,918
Total	26,051	24,463	24,579	24,780
1040EZ				
Over 65	0	0	0	0
All other	20,508	21,644	21,196	21,155
Total	20,508	21,644	21,196	21,155
1040PC				
Over 65	472	1,108	1,335	1,241
All other	2,521	5,995	6,976	6,464
Total	2,993	7,103	8,311	7,705
1040T				
Over 65	^a	28	^a	^a
All other	^a	205	^a	^a
Total	^a	233	^a	^a
Grand total	115,943	118,218	120,351	122,422

Notes: Detail may not add to totals because of statistical sampling and rounding.

"All other" category includes a small amount of data that we could not allocate because of incomplete return information on SOI tapes.

^aTax form 1040T was introduced in tax year 1995 and used for only that year on an experimental basis.

Source: IRS Statistics of Income (SOI) tapes.

Question 13: How many partnership returns (Form 1065) were filed for the most recent tax years such information is available? Also provide the number of partners and amount of assets, and business receipts associated with these returns.

Table III.34 summarizes the number of partnerships, partners, total assets, and total business receipts for tax years 1990 through 1997. Tables III.35 through III.42 show the number of partnerships, partners, assets, and business receipts by SOI industry classification for tax years 1990 through 1997. We did not verify or correct SOI data.

Table III.34: Number of Partnerships, Partners, Assets, and Business Receipts, Tax Years 1990 -1997

Dollars in thousands

Tax year	Partnerships	Partners	Assets	Business receipts
1990	1,553,529	17,094,966	\$1,685,223,450	\$483,417,504
1991	1,515,345	15,801,047	1,816,567,895	483,164,395
1992	1,484,752	15,734,691	1,907,344,453	514,827,003
1993	1,467,567	15,626,848	2,118,268,141	560,999,120
1994	1,493,963	14,989,505	2,295,212,222	656,158,602
1995	1,580,900	15,605,686	2,718,647,742	760,617,695
1996	1,654,256	15,662,298	3,368,165,845	915,844,404
1997	1,758,627	16,183,715	\$4,171,498,832	\$1,141,963,405

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Table III.35: Partnership Returns (Form 1065) by Industry, Tax Year 1990

Dollars in thousands

Industry	Partnerships	Partners	Assets	Business receipts
Agriculture, forestry, and fishing	125,029	502,740	\$27,530,014	\$9,496,593
Mining	40,904	2,148,754	58,246,016	19,967,085
Construction	59,469	161,537	17,989,157	30,716,285
Total manufacturing	28,285	246,210	59,789,377	65,354,487
Transportation and public utilities	25,180	503,411	63,333,737	32,800,444
Wholesale and retail trade	175,939	480,927	28,422,527	98,119,832
Finance, insurance, and real estate	822,254	10,846,18	1,279,390,201	64,313,481
Services	267,336	2,153,169	150,062,785	161,702,262
Not allocable	9,133	52,032	409,636	947,036
Total	1,553,529	17,094,966	\$1,685,173,450^a	\$483,417,504

Notes: Detail may not add to totals because of statistical sampling and rounding.

Not allocable = Amounts cannot be allocated among the various industry categories above.

^aOur total here did not agree with the SOI total of \$1,685,223,450,000. See table III.34.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.36: Partnership Returns (Form 1065) by Industry, Tax Year 1991

Dollars in thousands

Industry	Partnerships	Partners	Assets	Business receipts
Agriculture, forestry, and fishing	127,073	551,714	\$32,391,460	\$8,421,988
Mining	39,022	1,414,487	53,725,039	18,147,039
Construction	57,195	151,692	16,730,159	26,625,369
Manufacturing	23,974	175,157	65,140,070	65,817,598
Transportation and public utilities	26,107	519,142	72,511,924	37,611,233
Wholesale and retail trade	170,963	447,833	29,785,793	99,748,560
Finance, insurance, and real estate	803,836	10,316,515	1,366,914,278	57,398,063
Services	260,449	2,206,489	159,116,867	169,072,760
Not allocable	6,706	18,018	252,305	321,784
Total	1,515,345	15,801,047	\$1,796,567,895^a	\$483,164,395

Notes: Detail may not add to totals because of statistical sampling and rounding.

Not allocable = Amounts cannot be allocated among the various industry categories above.

^aOur total here did not agree with the SOI total of \$1,816,567,895,000. See table III.34.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Table III.37: Partnership Returns (Form 1065) by Industry, Tax Year 1992

Dollars in thousands

Industry	Partnerships	Partners	Assets	Business receipts
Agriculture, forestry, and fishing	124,564	504,317	\$32,884,248	\$8,931,648
Mining	36,399	1,388,608	53,696,645	16,706,468
Construction	59,412	157,934	15,663,127	25,945,769
Manufacturing	24,074	224,900	74,239,667	78,028,044
Transportation and public utilities	23,535	527,350	81,069,889	42,080,927
Wholesale and retail trade	162,472	425,381	32,777,068	107,869,925
Finance, insurance, and real estate	797,324	10,328,122	1,438,303,304	53,530,668
Services	252,517	2,166,644	178,577,034	181,602,784
Not allocable	4,454	11,436	133,471	130,771
Total	1,484,752	15,734,691	\$1,907,344,453	\$514,827,003

Notes: Detail may not add to totals because of statistical sampling and rounding.

Not allocable = Amounts cannot be allocated among the various industry categories above.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Table III.38: Partnership Returns (Form 1065) by Industry, Tax Year 1993

Dollars in thousands

Industry	Partnerships	Partners	Assets	Business receipts
Agriculture, forestry, and fishing	119,960	588,188	\$38,946,667	\$10,342,859.0
Mining	31,892	1,431,073	51,367,267	17,364,332
Construction	61,910	154,474	13,917,415	26,863,061
Manufacturing	25,065	231,080	84,183,811	89,860,773
Transportation and public utilities	20,757	652,085	115,595,813	58,851,833
Wholesale and retail trade	157,178	471,412	35,277,677	110,889,715
Finance, insurance, and real estate	792,651	9,944,143	1,612,142,006	62,142,324
Services	255,726	2,146,425	166,806,231	184,434,428
Not allocable	2,428	7,968	31,254	249,796
Total	1,467,567	15,626,848	\$2,118,268,141	\$560,999,120

Notes: Detail may not add to totals because of statistical sampling and rounding.

Not allocable = Amounts cannot be allocated among the various industry categories above.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.39: Partnership Returns (Form 1065) by Industry, Tax Year 1994

Dollars in thousands

Industry	Partnerships	Partners	Assets	Business receipts
Agriculture, forestry, and fishing	123,147	574,999	\$41,517,326	\$11,324,124
Mining	27,228	1,009,805	45,532,202	15,902,261
Construction	65,645	159,367	15,170,851	31,139,964
Manufacturing	29,539	223,819	93,493,681	107,569,031
Transportation and public utilities	23,426	634,782	126,351,449	66,406,723
Wholesale and retail trade	153,310	442,741	44,367,142	142,116,025
Finance, insurance, and real estate	809,533	9,880,982	1,750,671,157	85,689,669
Services	261,273	2,059,912	177,991,526	195,933,125
Not allocable	861	3,097	116,888	77,679
Total	1,493,963	14,989,505	\$2,295,212,222	\$656,158,602

Notes: Detail may not add to totals because of statistical sampling and rounding.

Not allocable = Amounts cannot be allocated among the various industry categories above.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Table III.40: Partnership Returns (Form 1065) by Industry, Tax Year 1995

Dollars in thousands

Industry	Partnerships	Partners	Assets	Business receipts
Agriculture, forestry, and fishing	129,105	602,779	\$43,480,535	\$13,269,787
Mining	26,107	827,935	55,503,350	17,812,984
Construction	70,727	166,868	16,653,249	35,880,818
Manufacturing	30,155	223,381	108,925,911	124,007,190
Transportation and public utilities	25,908	655,770	158,868,891	76,795,995
Wholesale and retail trade	164,385	500,711	59,435,765	171,904,847
Finance, insurance, and real estate	848,731	10,316,652	2,074,641,009	103,020,861
Services	282,225	2,296,467	200,561,994	217,684,392
Not allocable	3,556	15,123	577,038	240,823
Total	1,580,900	15,605,686	\$2,718,647,742	\$760,617,695

Notes: Detail may not add to totals because of statistical sampling and rounding.

Not allocable = amounts cannot be allocated among the various industry categories above.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Table III.41: Partnership Returns (Form 1065) by Industry, Tax Year 1996

Dollars in thousands

Industry	Partnerships	Partners	Assets	Business receipts
Agriculture, forestry, and fishing	130,845	594,460	\$46,605,126	\$14,715,812
Mining	25,327	746,362	68,121,744	23,545,257
Construction	74,164	178,782	20,592,463	45,117,147
Manufacturing	34,125	233,228	127,699,205	149,775,213
Transportation and public utilities	29,806	646,709	200,207,527	101,126,564
Wholesale and retail trade	168,050	534,451	80,881,848	212,076,554
Finance, insurance, and real estate	891,577	10,262,431	2,587,697,111	120,389,427
Services	296,808	2,454,595	235,679,032	248,882,532
Not allocable	3,552	11,279	681,787	215,898
Total	1,654,256	15,662,298	\$3,368,165,845	\$915,844,404

Notes: Detail may not add to totals because of statistical sampling and rounding.

Not allocable = amounts cannot be allocated among the various industry categories above.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Enclosure III

Table III.42: Partnership Returns (Form 1065) by Industry, Tax Year 1997

Dollars in thousands

Industry	Partnerships	Partners	Assets	Business receipts
Agriculture, forestry, and fishing	127,060	576,382	\$54,450,193	\$16,336,371
Mining	28,045	774,930	84,066,432	34,246,551
Construction	72,098	171,110	25,087,651	53,239,051
Manufacturing	40,022	251,845	156,312,618	182,374,185
Transportation and public utilities	30,917	620,597	244,181,107	129,697,933
Wholesale and retail trade	173,009	584,212	104,357,967	292,127,063
Finance, insurance, and real estate	974,223	10,554,864	3,214,104,927	139,963,877
Services	310,990	2,642,024	287,829,363	293,864,095
Not allocable	2,263	7,751	1,108,574	114,280
Total	1,758,627	16,183,715	\$4,171,498,832	\$1,141,963,405

Notes: Detail may not add to totals because of statistical sampling and rounding.

Not allocable = Amounts cannot be allocated among the various industry categories above.

Source: IRS Statistics of Income (SOI) bulletins and tapes.

Information on Assistance Provided to Taxpayers

Question 14: How many individual income tax returns were prepared by paid preparers in 1975, 1980, 1985, 1990-97, by type of return and filing status?

Tables IV.1, IV.2, and IV.3 show SOI data on individual returns filed using paid preparers, by type of return. Table IV.1 shows available data for the earlier years, and table IV.2 shows more complete data for 1990-1997. Table IV.3 shows data by filing status for 1991-1997. We did not attempt to verify or correct SOI data. IRS' data include returns filed electronically by paid preparers in the paper form 1040 category, not in the 1040A or 1040EZ categories.

Table IV.1: Total Individual Returns Using Paid Preparers, Tax Years 1975, 1980, and 1985

Numbers in thousands			
Individual returns	1975	1980	1985
All 1040 returns	37,825	35,589	46,685
1040 EZ	na	na	740
1040 A	na	6,216	4,389
1040	na	29,932	41,556
Business total	na	na	10,658
Nonfarm	na	na	8,924
Farm	na	na	1,734
Nonbusiness total	na	na	30,898
With itemized deductions	na	na	18,996
Without itemized deductions	na	na	11,902

na = not available.

Note: Detail may not add to totals because of statistical sampling and rounding.

Source: IRS Statistics of Income (SOI) bulletins.

Table IV.2: Total Individual Returns Using Paid Preparers, Tax Years 1990-97

Numbers in thousands								
Individual returns	1990	1991	1992	1993	1994	1995	1996	1997
All 1040 returns	54,499	55,711	56,051	56,588	57,415	58,965	60,858	63,480
1040 EZ	648	667	777	1,527	1,494	1,760	763	763
1040 A	4,801	4,695	5,530	5,823	5,726	4,754	4,309	4,028
1040	49,049	50,348	49,744	49,239	50,195	52,447	55,786	58,689
Business total	10,723	12,657	12,864	12,834	13,077	13,281	13,727	13,840
Nonfarm	9,025	10,986	11,212	10,894	11,153	11,379	11,856	11,974
Farm	1,697	1,671	1,652	1,459	1,441	1,902	1,871	1,865
Nonbusiness total	36,629	37,691	36,880	36,405	37,118	39,165	42,059	44,849
Itemized	17,249	17,749	17,367	14,793	14,965	15,528	16,300	17,089
Not itemized	19,380	19,942	19,513	21,612	22,153	23,637	25,759	27,760

Note: Detail may not add to totals because of statistical sampling and rounding.

Source: IRS Statistics of Income (SOI) bulletins.

Table IV.3 shows IRS data on individual returns using paid preparers, by filing status. IRS did not have paid-preparer data by filing status for 1990 or earlier years.

Table IV.3: Individual Returns Using Paid Preparers by Filing Status, Tax Years 1991-97

Numbers in thousands

Filing status	1991	1992	1993	1994	1995	1996	1997
Single	19,422	18,969	19,229	20,104	20,738	21,125	22,439
Married filing jointly	28,277	28,212	28,318	28,478	28,947	29,187	29,677
Married filing separately	1,075	1,208	1,160	1,201	1,288	1,244	1,350
Head of household	6,760	7,349	7,869	7,588	7,934	9,222	9,968
Widower	52	56	18	45	58	80	46

Source: IRS Statistics of Income (SOI) bulletins.

Question 15: How many income tax returns (corporate and individual) were computer-generated in recent years?

Taxpayers or their paid preparers can generate individual income tax returns using computers in a variety of ways. For example, a taxpayer can use computer software to prepare the return, and then print out a paper copy and mail it to IRS. Or, a taxpayer might prepare the return manually and have a third party transmit it to IRS electronically, using special computer software. IRS data differ in what could be counted as computer usage, as follows:⁷

- **Paper:** includes returns that appear to have been produced using commercially available computer software rather than being typewritten or handwritten. The data are estimates from random (SOI) samples of returns filed in each year. According to IRS officials, the distinction between typewritten and computer-generated returns is not always clear, and the estimates may be slightly inflated by counting some typewritten returns as computer-generated. However, SOI analysts found this uncertainty in less than 1 percent of the returns counted as computer-generated in 1998 and 1999.
- **Electronically filed—traditional:** includes returns transmitted to IRS through a third party, known as an electronic return originator, using an IRS-approved computer system. The computer systems check returns for certain errors before transmitting them to IRS. However, IRS' data do not distinguish whether the taxpayer manually prepared the return or used computer software.
- **Electronically filed—on-line:** includes returns transmitted to IRS from a taxpayer's personal computer through an on-line intermediary. According to IRS officials, returns transmitted on-line were also prepared using computer software.

Table IV.4 shows available IRS data on individual returns filed in calendar years 1990-1999 that were generated using a computer in some way. IRS has not tracked the number of corporate income tax returns generated using a computer.⁸

⁷We have not included data on telefiling—where returns are transmitted by the taxpayer over the telephone lines using a Touch-Tone telephone—because telefiling does not require the taxpayer to use a computer in preparing or transmitting the return.

⁸Corporations have not been able to electronically file their tax returns, but IRS officials said they plan to offer this capability in 2003.

Table IV.4: IRS Data on Individual Income Tax Returns Generated Using a Computer and Filed in Calendar Years 1990-99

Numbers in thousands

Filing method	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Paper	17,796	17,499	31,124	31,394	40,916	44,302	49,621	54,235	56,960	58,508
Electronically										
Traditional	4,200	7,600	10,900	12,300	13,510	11,144	12,140	14,090	17,697	21,227
On-line							157	367	942	2,457

^aIRS launched on-line filing in 1996.

Source: IRS-SOI estimates for paper returns and GAO reports for electronic returns. See Tax Administration: IRS' 1999 Tax Filing Season (GAO/GGD-00-37, Dec. 15, 1999), p. 54; Tax Administration: IRS' 1998 Tax Filing Season (GAO/GGD-99-21, Dec. 31, 1998), p. 11; Tax Administration: IRS' 1997 Tax Filing Season (GAO/GGD-98-33, Dec. 29, 1997), pp. 10, 14; Tax Administration: Continuing Problems Affect Otherwise Successful 1994 Filing Season (GAO/GGD-95-5, Oct. 7, 1994), p. 22.

Question 16: How much computer software for preparing tax returns was sold in recent years?

Table IV.5 shows estimated total U.S. sales of tax return preparation software in recent years. The data were obtained from PC Data, a market research company based in Reston, VA. According to PC Data, the estimates are based on data collected from companies comprising about 80 percent of retail and mail-order software sales in the United States.

Table IV.5: Total Retail Sales for Tax Return Preparation Software^a

Year	Units sold	Amount
1993	903,065	\$29,049,359
1994	1,330,779	39,270,431
1995	1,674,948	53,633,181
1996	2,245,183	75,301,042
1997	2,995,425	98,236,121
1998	4,415,904	136,027,017
1999	5,667,799	155,841,854

^aPC Data defines tax software as any software that is used to prepare state, federal, personal, or business taxes. Source: PC Data, Inc., Reston, VA.

Question 17: How much assistance did IRS provide to taxpayers in recent years?

Data on the assistance IRS provides to taxpayers include three types of taxpayer contacts:

- correspondence—where taxpayers contact IRS district offices by mail,
- walk-in—where taxpayers personally visit IRS taxpayer assistance centers, and
- telephone—where taxpayers call IRS' customer service centers.

Table IV.6 shows IRS data on the amount of assistance IRS provided to taxpayers in the selected years, broken out by the method of contact. IRS did not have comparable correspondence and walk-in data for years prior to 1996 or comparable telephone data for years prior to 1995.

Table IV.6: Number of Taxpayer Contacts for IRS Assistance in Selected Years

Fiscal year	Type of assistance			Total
	Correspondence	Walk-in	Telephone	
1999	74,654	6,672,966	110,347,250	117,094,870
1998	81,872	6,624,723	113,267,032	119,973,627
1997	94,964	6,738,581	102,677,958	109,511,503
1996	182,132	6,399,517	98,421,477	105,003,126
1995	^a	^a	109,824,462	109,824,462

^aIRS data not available.

Source: IRS' Regional Management Information System (RMIS) for correspondence and walk-in data; IRS' Workload Inventory Tracking System (WITS) for telephone data.

According to IRS officials, the correspondence data are limited to taxpayer correspondence with IRS' district offices because district correspondence is more likely to involve taxpayer requests for assistance rather than taxpayer responses to IRS notices. However, other types of correspondence, not involving taxpayer requests for assistance, might also have been counted. IRS officials could not explain the large decrease in correspondence assistance from 1996 to 1997. Also, the walk-in data exclude contacts limited to requesting a form or responding to an IRS notice, while the telephone data include such contacts.

Question 18: What were the top 10 issues raised in each type of taxpayer assistance—correspondence, walk-in, and telephone—for 1998 and 1999?

IRS does not have comprehensive data on the primary reasons—in terms of relevant IRC provisions or general tax issues—for taxpayer contacts with IRS' customer service units. However, a recent IRS study⁹ collected limited data on the 10 most frequent types of telephone or e-mail inquiries received by IRS in 1999, such as obtaining help with employment forms, claiming dependents, or general information for e-mail inquiries. IRS is currently attempting to identify other data that may bear on this question.

Question 19: How much assistance did IRS provide to taxpayers through the Tax Counseling for the Elderly (TCE) and Volunteer Income Tax Assistance (VITA) programs in recent years?

Table IV.7 shows IRS data on the number of times taxpayers were assisted through the TCE and VITA programs for years 1995-98. According to IRS officials, TCE and VITA contacts are to be counted as assistance only if the taxpayer actually receives advice on a tax question or help with return preparation. Contacts are not to be counted as assistance if they are limited to the distribution of a form.

Table IV.7: Number of Times Taxpayers Were Assisted Through the TCE and VITA Programs in Selected Years

Tax year	TCE	VITA
1999	1,594,097	1,884,664
1998	1,679,400	1,852,048
1997	1,572,017	1,756,789
1996	1,621,286	1,880,038
1995	1,669,484	1,760,556

Source: IRS data.

⁹Annual Report from the Commissioner of the Internal Revenue Service on Tax Law Complexity, June 5, 2000, pp. 41-45.

Common Taxpayer Errors Found by IRS

Question 20: What were the 10 most common errors found when processing the returns of small, mid-size, and large corporations in 1999?

IRS tracked data on errors found when processing taxpayer returns in 1999.¹⁰ The data do not exactly distinguish small, mid-size and large corporations, but rather are aggregated by type of return filed. Two types of 1120 return—the 1120A and 1120S—are associated with smaller corporations. Form 1120A, U.S. Corporate Short-Form Income Tax Return, is to be filed by small corporations having less than \$500,000 in gross receipts, total income, and total assets. Form 1120S, U.S. Income Tax Return for an S-Corporation, is to be filed by corporations that have elected to be organized as Small Business Corporations.¹¹

Table V.1 shows the most common types of errors found by IRS in 1999 in processing forms 1120A filed in 1999. About 274,000 forms 1120A were filed in 1999. Only six types of errors were significant enough to be included in IRS' national totals.¹²

Table V.1: Common Errors for Form 1120A in 1999

Error description	Number of errors
1. Contributions deducted exceeded the allowable amount	1,398
2. Total income tax figured incorrectly	956
3. Total deductions figured incorrectly	334
4. Overpayment or tax due amount figured incorrectly	236
5. Total income figured incorrectly	155
6. Taxable income figured incorrectly	147

Source: IRS data.

In 1999, only two types of errors were significant enough to be included in IRS' national totals for forms 1120S: (1) overpayment or tax due amount figured incorrectly, and (2) miscellaneous¹³. In 1999 about 2.8 million forms 1120S were filed. An IRS official explained that the 1120S is a very simple form that offers less opportunity for error than the 1120A.

Table V.2 shows the most common types of error found by IRS in 1999 on forms 1120. The data includes the standard form 1120 and miscellaneous types such as the 1120REIT, U.S. Income Tax Return for Real Estate Investment Trusts; and 1120RIC, U.S. Income Tax Return for Regulated Investment Companies. About 2.3 million forms 1120 were filed in 1999.

¹⁰Because taxpayers may file late, or may file amended returns for prior years, the errors IRS found were not all associated with the 1998 returns that were processed during 1999. IRS sent notices to the taxpayers who made these errors, but the number of notices does not equal the number of errors because some taxpayers made multiple errors.

¹¹Corporations filing form 1120S reported average total assets of about \$533,000 in 1997, according to IRS' Spring 2000 Statistics of Income Bulletin, the most recent year for which data are available.

¹²For an error to be included, at least one IRS service center must have reported sending at least 10 of the notices.

¹³The miscellaneous category includes a variety of uncommon errors that do not fit in any other predefined category.

Table V.2: Common Errors for Forms 1120 in 1999

Error description	Number of errors
1. Contributions deducted exceeded the allowable amount	4,497
2. Total income tax figured incorrectly	3,786
3. Overpayment of tax due amount figured incorrectly	1,703
4. No reply to information request	845
5. Total deductions figured incorrectly	701
6. Alternative minimum tax figured incorrectly	548
7. Total income figured incorrectly	357
8. Taxable income figured incorrectly	222
9. Special deductions exceeded the allowable amount	218
10. Miscellaneous	110

Source: IRS data.

Question 21: List the 10 most common errors found when processing individual returns with total positive income under and over \$50,000, returns with Schedule C, and returns with Schedule F, in 1999.

IRS' data on notices sent as a result of errors found when processing individual tax returns are not available by taxpayer income. However, table V.3 shows the most common types of errors found by IRS on forms 1040A and 1040EZ in 1999. Forms 1040A and 1040EZ are only intended for filers with taxable incomes of less than \$50,000. Table V.4 shows similar data for form 1040, which is filed by—but not limited to—taxpayers with higher incomes.

Table V.3: Common Errors for Forms 1040A and 1040EZ in 1999

Error description	Number of errors
1. Earned Income Credit (EIC) figured or entered incorrectly on return	342,964
2. Refund amount or amount owed figured incorrectly	232,992
3. Incorrect tax amount entered from the tax tables	210,255
4. Taxpayer identification number (TIN) or name for dependent exemption does not match records	203,312
5. Child Tax Credit figured incorrectly	185,980
6. EIC figured incorrectly because Nontaxable Earned Income excluded	159,295
7. Taxable Income figured incorrectly	153,524
8. EIC not allowed because taxpayer is too old/young	142,962
9. TIN or name for Child Tax Credit does not match records	129,399
10. EIC reduced/eliminated because child's TIN does not match records	119,282

Source: IRS data.

Table V.4: Common Errors for Form 1040 in 1999

Error description	Number of errors
1. Taxpayer Identification Number (TIN) or name for dependent exemption does not match records	698,259
2. TIN or name for Child Tax Credit does not match records	567,756
3. Child Tax Credit figured incorrectly	305,013
4. Earned Income Credit figured or entered incorrectly	293,404
5. Refund amount or amount owed figured incorrectly	231,662
6. Taxable amount of social security benefits figured incorrectly	209,412
7. Incorrect tax amount entered from the tax tables	193,248
8. Capital gains tax figured or transferred incorrectly from Schedule D	151,971
9. Taxpayer Identification Number for dependent exemptions not included	144,119
10. Tax reduced by using schedule D, part IV	131,009

Source: IRS data.

Enclosure V

Tables V.5 and V.6 show the most common types of errors found by IRS on schedules C and F in 1999. In 1999, about 17 million schedules C were filed and about 1.8 million schedules F were filed. The numbers do not reflect errors made on the associated Form 1040 returns because IRS has not separately tracked that data. No other types of errors attributable to these schedules were significant or specifically tracked.

Table V.5: Common Schedule C Errors in 1999

Error description	Number of errors
1. Net profit or loss figured incorrectly on Schedule C	41,881
2. Net profit or loss transferred incorrectly from Schedule C to Form 1040	40,473

Source: IRS data.

Table V.6: Common Schedule F Errors in 1999

Error description	Number of errors
Net profit or loss figured incorrectly on Schedule F	2,414
Net profit or loss transferred incorrectly from Schedule F to Form 1040	2,046

Source: IRS data.

Question 22: What were the 10 most common errors found when processing estate tax returns for gross estates below/over \$5 million?

IRS' data on taxpayer errors are not available by size of estate or for estate taxes separately from related types of returns. Table V.7 shows the most common types of error found by IRS on estate tax and related returns in 1999.

Table V.7: Common Errors for Estate and Related Tax Returns^a in 1999

Error description	Number of errors
1. Credit for state death taxes figured incorrectly	658
2. Tentative tax figured incorrectly	587
3. Unified credit figured incorrectly	440
4. Write-in notice code	219
5. U.S. Treasury Bonds Redeemed to Pay Estate Tax figured incorrectly	121
6. Funeral expenses, etc., figured incorrectly	121
7. Line 13 of Form 706 figured incorrectly	78
8. Line 14 of Form 706 figured incorrectly	49
9. Schedule B figured incorrectly	29
10. Schedule G or A figured incorrectly	28

^aIncludes Forms 706: U.S. Estate (and generation-skipping transfer) Tax Return; 706NA: U.S. Nonresident Alien Estate Tax Return; 706GS(D): Generation-Skipping Transfer Tax Return for Distribution; 706GS(T): Generation-Skipping Transfer Tax Return for Terminations; and 709: U.S. Gift Tax Return.

Source: IRS data.

Question 23: What were the top 10 issues/IRC sections identified in IRS audits for the most recent 3 years that such statistics are available? Break down by (a) Coordinated Examination Program (CEP) and non-CEP audits; (b) district office audits; and (c) service center audits for individual, corporate, fiduciary, estate, gift, employment, excise and other returns. Also, if possible, break down by (a) individual returns with total positive income (TPI) under/over \$50,000, returns with Schedule C, and returns with Schedule F, and (b) gross estates below/over \$5 million.

Coordinated Examination Program (CEP) Audits

IRS tracks CEP audit issues by the relevant IRC sections. CEP case data come from the Coordinated Examination Management Information System (CEMIS). IRS provided lists of the top 10 issues ranked by frequency and by dollar amount. CEMIS data were available for fiscal years 1998, 1999, and 2000 (up to June 20, 2000). Table V.8 provides the top 10 tax issues by dollar amount, and table V.9 provides such issues by frequency.

Table V.8: Ranking of Top 10 Tax Issues for CEP Audits by Amount, Fiscal Years 1998-2000

Issue (IRC section)	1998	1999	2000 ^a
Life Insurance Gross Income (803)			1
Trade or Business--Deductible v. Not Deductible (162)	5	2	2
Capital Expenditures (Deductible v. Not Deductible) (263)	3	3	3
Gross Income v. Not Gross Income (61)			4
General Rule for Taxable Year of Deduction--Year Paid v. Not Year Paid (461)	2	7	5
Deductions For Losses (165)			6
General Rule for Methods of Accounting--Permissible v. Not Permissible (446)			7
Allocation of Income and Deductions Among Taxpayers (482)	4	5	8
Bad Debts (166)		4	9
Investment of Earnings in U.S. Property (956)			10
Insurance Company Taxable Income (832)		1	
Capitalization and Inclusion in inventory Costs of Certain Expenses (263A)	8	6	
Net Operating Loss Deductions--Deductible v. Not Deductible (172)	9	8	
Interest (163)	10	9	
Life Insurance Deductions (804)		10	
Rules for Certain Reserves (807)	1		
Tax Imposed (801)	6		
General Rule for Taxable Year of Inclusion--Year Received v. Not Year Received (451)	7		

^aThrough June 20, 2000.

Source: IRS' Coordinated Examination Management Information System.

Table V.9: Ranking of Top 10 Tax Issues for CEP Audits by Frequency, Fiscal Years 1998-2000

Issue (IRC section)	1998	1999	2000 ^a
Trade or Business--Deductible v. Not Deductible (162)	1	1	1
Capital Expenditures--Deductible v. Not Deductible (263)	2	3	2
General Rule for Taxable Year of Deduction--Year Paid v. Not Year Paid (461)	4	4	3
Depreciation (167)	3	2	4
Gross Income v. Not Gross Income (61)	5	5	5
Credit for Increasing Research Activities (41)	7	7	6
Allocation of Income and Deductions Among Taxpayers (482)	8	6	7
Bad Debts (166)	10	9	8
Capitalization and Inclusion in Inventory Costs of Certain Expenses (263A)	6	8	9
Modified Accelerated Cost Recovery System (168)	9	10	10

^aThrough June 20, 2000.

Source: IRS' Coordinated Examination Management Information System.

Non-CEP Corporations

IRS recently started to track tax issues in audits of non-CEP corporations through its Examination Operational Automation Database (EOAD). All districts began using the system in January 1999. IRS used this system to provide lists of the top 10 issues for audits of large non-CEP corporations (assets at or above \$5 million) ranked by frequency and by dollar amount. For audits of small non-CEP corporations (assets below \$5 million), IRS only provided a list of issues

Enclosure V

ranked by frequency. Table V.10 provides these data. We did not verify the completeness or accuracy of the data entered into the Examination Operational Automation Database (EOAD).

Table V.10: Ranking of Top 10 Tax Issues for Large and Small Non-CEP Corporations by Frequency and/or Dollar Amount, January 1999-June 2000

Issue (IRC section)	Large Non-CEP		Small non-CEP
	Frequency	Amount	Frequency
Allowance of Deductions--Deductible v. Not Deductible (161)	1		
Gross Income v. Not Gross Income (61)	2		2
Carryback and Carryover NOLs (172)	3		4
Property Used in the Trade or Business (167)	4		9
Depreciation (167)	5		
Capital Expenditures--Deductible v. Not Deductible (263)	6	1	
Capital Investment v. Expense (167)	7		
Environmental Tax (164)	8		
Repair v. Permanent Improvement (263)	9		
Ordinary and Necessary (162)	10		5
Trade or Business--Deductible v. Not Deductible (162)		2	1
Allocation of Income and Deductions Among Taxpayers (482)		3	
Puerto Rico and Possession Tax Credit (936)		4	
General Rule for Taxable Year of Inclusion--Year Received v. Not Year Received (451)		5	
General Rule for Taxable Year of Deduction--Year Paid v. Not Year Paid (461)		6	
Transfers of Franchises, Trademarks, and Trade Names (1253)		7	
Certain Stock Purchases Treated as Asset Acquisitions (338)		8	
Net Operating Loss Deductions--Deductible v. Not Deductible (172)		9	
Interest (163)		10	
Proof of Expenditure – Substantiation (162)			3
Allocation between Business and Personal (162)			6
Derived from Business (61)			7
Trade or Business v. Not a Trade or Business (162)			8
Cost of Goods Sold (162)			10

Source: IRS' Examination Operational Automation Database.

District Audits of Individual Taxpayers

IRS recently started to track tax issues in audits of individual taxpayers through its EOAD. All districts began using the system in January 1999. IRS used this system to provide lists of the top 10 issues for audits of individual taxpayers ranked by frequency for all individuals who have no business income or have business income reported on a Schedule C or F. We did not verify the completeness or accuracy of the data entered into the EOAD system.

Tables V.11 and V.12 show these rankings of tax issues in audits of individuals that either had or had no business income, and that were audited by IRS revenue agents, who tend to audit the more complex individual tax returns.

Enclosure V

Table V.11: Ranking of the Top 10 Issues for Individual Nonbusiness Taxpayers by Frequency–Revenue Agents, January 1999–June 2000

Issue (IRC section)	Income	
	Under \$50,000 ^a	Over \$50,000 ^a
Gross Income v. Not Gross Income (61)	1	2
Compensation for Services (61)	2	6
Trade or Business--Deductible v. Not Deductible (162)	3	3
Allowance of Deductions for Personal Exemption (151)	4	
Interest (61)	5	5
Derived From Business (61)	6	8
Allowance of Deductions for Personal Exemption (151)	7	
Pass-Thru of Items to Shareholders	8	1
Gross Income v. Not Gross Income–Wages (61)	9	
Withholdings (credit v. no credit)–Wages (31)	10	
Distributive Share–Partnership (61)		4
Dividends (61)		7
Proof of Expenditure–Substantiation (162)		9
Carryback or Carryover (172)		10

^aTotal positive income.

Source: IRS' Examination Operational Automation Database.

Table V.12: Ranking of the Top 10 Issues for Individual Schedule C (Non-Farm Businesses) and Individual Schedule F (Farms) by Frequency --Revenue Agents, January 1999–June 2000

Issue (IRC section)	Schedule C	Schedule F
Trade or Business--Deductible v. Not Deductible (162)	1	1
Proof of Expenditure (162)	2	
Gross Income v. Not Gross Income (61)	3	3
Derived From Business (61)	4	4
Compensation For Services (61)	5	
Ordinary and Necessary (162)	6	9
Interest (61)	7	
Trade or Business v. Not a Trade or Business (162)	8	
Allocation Between Business and Personal (162)	9	5
Cost of Goods Sold (162)	10	6
Farming (61)		2
Depreciation–Property used in Trade or Business (167)		7
Carryback or Carryover (172)		8
Pass-Thru of Items to Shareholders (1366)		10

Source: IRS' Examination Operational Automation Database.

Tables V.13 and V.14 show these rankings of tax issues in audits of individuals that either had or had no business income, and that were audited by IRS tax auditors, who tend to audit the simpler individual tax returns.

Enclosure V

Table V.13: Ranking of the Top 10 Issues for Individual Nonbusiness Taxpayers by Frequency—Tax Auditor, January 1999–June 2000

Issue (IRC section)	Income	
	Under \$50,000 ^a	Over \$50,000 ^a
Trade or Business--Deductible v. Not Deductible (162)	1	1
Definitions and Special Rules--Head of Household (2)	2	
Gross Income v. Not Gross Income (61)	3	3
Dependent Defined (152)	4	
Proof of Expenditure--Substantiation (162)	5	2
Earned Income Credit--Qualifying Child (32)	6	
Compensation for Services (61)	7	6
Dependent Defined--Descendants and Ancestors (152)	8	
Charitable Contributions and Gifts (170)	9	4
Earned Income Credit (32)	10	
Interest (163)		5
Cost of Goods Sold (61)		7
Disallowance of Certain Entertainment Expenses--Travel (274)		8
Depreciation (167)		9
Ordinary and Necessary (162)		10

^aTotal positive income.

Source: IRS' Examination Operational Automation Database.

Table V.14: Ranking of the Top 10 Issues for Individual Schedule C (Non-Farm Businesses) and Individual Schedule F (Farms) by Frequency—Tax Auditor, January 1999–June 2000

Issue (IRC section)	Schedule C	Schedule F
Trade or Business--Deductible v. Not Deductible (162)	1	1
Proof of Expenditure--Substantiation (162)	2	2
Gross Income v. Not Gross Income (61)	3	3
Compensation for Services (61)	4	
Derived from Business (61)	5	7
Disallowance of Certain Entertainment Expenses--Travel (274)	6	
Cost of Goods Sold (162)	7	
Dependent Defined (152)	8	
Interest (61)	9	
Allowance for Deductions for Personal Exemption--Taxpayer (151)	10	
Proof of Expenditure (162)		4
Farming (61)		5
Farmers (162)		6
Depreciation (167)		8
Repairs (162)		9
Interest (163)		10

Source: IRS' Examination Operational Automation Database.

Excise, Employment, Estate and Gift, and Fiduciary

IRS does not track tax issues or recommended tax amounts associated with tax issues for excise, employment, estate and gift, and fiduciary tax audits. At our request in July 2000, knowledgeable IRS auditors judgmentally identified and ranked the most frequently raised tax issues in such audits on the basis of their experiences.

Enclosure V

Table V.15: Ranking of Tax Issues in Federal Excise Tax Audits, July 2000

Issue (IRC section)
1. Retail Truck (4051)
2. Black Lung Trust Fund (4121)
3. Communication Service (4251/4252)
4. Transportation of Property by Air (4271 and 4272)
5. Collected Taxes (4271, 4291, 7501)
6. Truck Tires (4051(d))
7. Ozone Depleting Chemicals (4681(b)(2))
8. Luxury Passenger Automobiles (4001)
9. Gas Guzzler (4064)
10. Recreational Equipment (4161)
11. Heavy Highway Motor Vehicles (4481)
12. Motor Fuels (4081, 4091, 4041)
13. Inland Waterways (4042)

Source: IRS Personnel.

Table V.16: Ranking of Tax Issues in Employment Tax Audits, July 2000

Issue (specific legal basis of issue where applicable)
1. FICA tax on unreported tips by individual employees/Notice and Demand for Payment (3121(q))
2. FICA Coverage of State and Local Government Employees (Section 218 of the Social Security Act and IRC 3121(b)(7)(F) and 3121(u))
3. Independent Contract or Employee--Common Law Standard (3121(d))
4. Section 530 Relief (Section 530 of the Revenue Act, as amended by the Small Business Job Protection Act of 1996)
5. Student FICA Exception (3121(b)(10))
6. Employee Leasing (Determining the Common Law Employer)
7. Meals and Lodging (119 and 3306(b)(9))
8. Fringe Benefits/Employee Business Expense Reimbursements (132)
9. In Home Domestic Services--Chore Workers (Title XX of the Social Security Act, IRC 3401(d)(1) and 3504)
10. Sheltered Workshops--Handicapped Individuals (Revenue Ruling 65-165, 1965-1 C.B., 446)

Source: IRS Personnel.

Table V.17: Ranking of Tax Issues in Estate and Gift Tax Audits of Estates Below \$5 Million, July 2000

Issue (specific legal basis of issue where applicable)
1. Real Estate Valuation (2031(a))
2. Legal Issues and Knowledge of Local Law
3. Business Valuation (2031(a)(b), 2512, 2703, 2704(a)(b))
4. Miscellaneous (Insurance, Annuities or Discounted Notes) (2702)
5. Deductions (2053, 2055, 2056)
6. Transfers (2035, 2036, 2037, 2038)
7. Joint or Community Property
8. Generation Skipping Tax (2601-2662)
9. Powers of Appointment (2041)

Source: IRS Personnel.

Enclosure V

Table V.18: Ranking of Tax Issues in Estate and Gift Tax Audits of Estates At or Above \$5 million, July 2000

Issue (specific legal basis of issue where applicable)
1. Business Valuation (2031(a)(b), 2512, 2703, 2704(a)(b))
2. Real Estate Valuation (2031(a))
3. Legal Issues and Knowledge of Local Law
4. Miscellaneous (Insurance, Annuities or Discounted Notes) (2702)
5. Deductions (2053, 2055, 2056)
6. Transfers (2035, 2036, 2037, 2038)
7. Generation Skipping Tax (2601-2662)
8. Powers of Appointment (2041)
9. Joint or Community Property

Source: IRS Personnel.

Table V.19: Ranking of Tax Issues in Fiduciary Tax Audits, July 2000

Issue (IRC section)
1. Business Trusts (61, 162, 674, 1402)
2. K-1 Compliance (61, 652)
3. Foreign Trusts—Failure to report transactions (61, 679, 6048)
4. Foreign Trusts—Failure to withhold income (1441, 864, 871, 61, 679)
5. Nonfiling of Fiduciary Returns and Related Information Returns (6011)
6. Grantor Trusts (61, 674)
7. Charitable Trusts (664)
8. Charitable Deductions 6034)
9. Family Trusts (61, 162, 674, 1402)
10. Passive Activity Losses (469)

Source: IRS Personnel.

Service Center Correspondence Audits

In addition to audits done by revenue agents and tax auditors in IRS district offices through IRS' Examination Division, IRS also audits tax returns through correspondence sent by 1 of the 10 IRS service centers. These correspondence audits tend to focus on one or two simpler tax issues.

IRS does not track issues being audited through the service center correspondence program. The closest data to issues are projects that IRS starts to address certain forms of apparent noncompliance. Some projects focus on issues. However, the projects might address more than one issue, depending on the noncompliance uncovered during the audits. Between fiscal years 1997 and 1999, the projects that most frequently addressed tax issues involved the

- earned income tax credit (EIC),
- early distributions or withdrawal from individual retirement accounts,
- duplicate use of one taxpayer identification number outside of claims for EIC,
- self-employment tax, and
- Schedule A deductions on returns done by paid preparers.

Taxpayer Disputes in Appeals and Litigation

Question 24: How many cases did IRS’ appeals division receive in recent years? Also, list the most common tax issues being appealed by type of audit and type of tax return such as individual, corporate, and other returns, as well as dollar amounts in dispute for the most recent three years such statistics are available.

IRS generally does not track issues that arise in audits, except for audits of the nation’s largest corporations through IRS’ Coordinated Examination Program (CEP). However, IRS does track issues that arise in appeals involving large corporations. IRS was also able to provide us with data on appeals cases received during fiscal years 1997-99.

Number of Cases Received by IRS Appeals Division

IRS provided the following data on the number of cases received by its appeals division.

Table VI.1: Number of Appeals Cases Received by IRS, Fiscal Years 1997-99

Type of case	1997	1998	1999
Nondocketed ^a	54,230	47,925	43,513
Docketed ^b	22,083	17,087	15,166
Total	76,313	65,012	58,679

^aCases in which the taxpayer appeals before receiving a statutory notice of deficiency.

^bCases in which the taxpayer appeals after receiving a statutory notice of deficiency.

Source: IRS data.

Most Common Tax Issues

IRS tracks issues that arise in appeals cases involving CEP audits. It does not track issues that arise in non-CEP audits, tax auditor examinations, service center examinations for individual, corporate, fiduciary, estate, gift, employment, excise and other returns. IRS could not readily supply data on appeals issues for the three most recent years. The most current data available were for April 1998 through March 1999. IRS also supplied data on the top appeals issues during the 5-year period of fiscal years 1994-98.

Table VI.2 shows the most recent IRS data on CEP appeals issues ranked by number of cases and dollar amount proposed in IRS audits.

Enclosure VI

Table VI.2: Ranking of Top 10 Appeals Issues for CEP Audits by Dollar Amount and Number of Cases, April 1, 1998-March 31, 1999

Dollars in billions

Issue (IRC section)	Rank by amount		Rank by number of cases	
Trade or Business (162)	1	\$4.7	1	150
Allocation of Income & Expenses (482)	2	3.3	5	53
Depreciation (167)	3	2.4	2	122
Gross Income (61)	4	1.6	4	56
Net Operating Loss Deduction (172)	5	1.5	9	31
Taxes of Foreign Country (901)	6	1.3		
Losses (165)	7	1.3	8	33
Capital Expenditures (263)	8	0.7	3	82
Taxes (164)	9	0.7		
Corporate Consolidations (1502)	10	0.7		
Tax Year of Deduction (461)			6	51
Tax Year of Inclusion (451)			7	34
Bad Debts (166)			10	27

Source: IRS data.

Table VI.3 shows similar IRS data for the time period of fiscal years 1994 through 1998 combined.

Table VI.3: Ranking of Top 10 Appeals Issues for CEP Audits by Dollar Amount and Number of Cases, Fiscal Years 1994-98

Dollars in billions

Issue (IRC section)	Rank by amount		Rank by number of cases	
Trade or Business (162)	1	\$12.2	2	826
Depreciation (167)	2	10.4	1	925
Gross Income (61)	3	7.4	4	359
Allocation of Income & Expenses (482)	4	7.1	5	331
Installment Method (453)	5	5.5		
Net Operating Loss Deduction (172)	6	5.3		
Capital Expenditures (263)	7	4.1	3	453
Losses (165)	8	3.4	9	175
Tax Year of Deduction (461)	9	3.2	6	274
Involuntary Conversions (1033)	10	3.2		
Bad Debts (166)			7	232
Tax Year of Inclusion (451)			8	192
Accelerated Cost Recovery (168)			10	139

Source: IRS data.

Question 25. How many Tax Court, District Court, and Court of Federal Claims cases were received by IRS Chief Counsel in recent years, and what were the amounts in dispute and the tax issues involved?

Table VI.4 shows the number of Tax Court, District Court, and Court of Federal Claims cases and the amount of money in dispute for fiscal years 1990 through 1999.

Enclosure VI

Table VI.4: Number of Tax Court, District Court, and Court of Federal Claims Cases and Dollar Amounts in Dispute, Fiscal Years 1990-99

Dollars in billions

Fiscal year	Tax Court		District Court		Court of Federal Claims	
	Number	Amount	Number	Amount	Number	Amount
1990	54.1	\$33.5	2.5	\$0.7	0.8	\$1.2
1991	50.7	33.5	2.3	0.7	0.8	1.2
1992	46.7	35.8	2.2	0.8	0.8	1.7
1993	42.1	36.0	2.1	0.9	0.7	2.2
1994	32.5	33.0	1.8	1.0	0.7	2.1
1995	31.6	32.2	1.6	1.0	0.6	2.1
1996	31.2	30.3	1.7	1.1	0.6	2.4
1997	29.6	33.2	1.4	1.5	0.6	2.6
1998	24.7	33.8	1.3	2.7	0.8	2.6
1999	21.9	32.8	1.2	2.6	0.7	2.7

Note: Number of cases in thousands.

Source: IRS Chief Counsel data.

IRS data on the top 10 tax issues litigated in Tax Court, District Court, and the Court of Federal Claims were not readily available through IRS information systems. IRS did provide three existing reports to provide some insight on litigated issues. The reports included the National Taxpayer Advocate's Annual Reports to Congress for both fiscal years 1998 and 1999, and IRS' Tax Law Complexity Report of June 5, 2000. From our review of the reports, table VI.5 shows the rankings of the top 10 litigated tax issues in the Tax Court during fiscal year 1999 for individuals who are and are not self-employed.

Table VI.5: Rankings of Top 10 Tax Court Litigated Tax Issues for Non-Self-Employed and Self-Employed Individuals, Fiscal Year 1999

Litigated tax issues (IRC section)	Non-self-employed	Self-employed
Penalty issues (6662 and 6651)	1	1
Gross income defined (61)	2	6
Trade or business expenses (162)	3	2
Earned Income Credit (32)	4	
Head of household (2)	5	
Dependency Exemption (151 and 152)	6	
Theft/Casualty Losses (165)	7	
Compensation for Sickness/Injury (104)	8	
Attorney's fees (7430)	10	
Annuities (72)	10	
Entertainment Expenses (274)		4
Self-employment Tax (1401 and 1402)		4
Activity Not Engaged in for Profit (183)		5
Personal Expenses (262)		8
Record keeping requirements (6001)		8
Period of Limitations (6501)		10
Depreciation of Luxury Autos (280F)		10

Source: Fiscal year 1999 National Taxpayer Advocate's Annual Report to Congress.

We did not report data on litigated issues for fiscal year 1998, the other two courts, and other types of taxpayers because of IRS' concerns with the data. IRS has done limited and inconsistent tracking of litigated tax issues. Prompted by the 1998 IRS Reform Act, IRS has been doing special studies—using statistical sample, cases analyses, and anecdotal information—to compile data on litigated tax issues, starting in fiscal year 1998. Except for tax court cases in fiscal year 1999 involving individual taxpayers, these IRS reports made many disclaimers about the quality of the data on litigated issues. For this reason, we are not providing the data. The 1998 National Taxpayer Advocate's Annual Report to Congress discusses these disclaimers and these data.

Statistics Associated With Specific Tax Issues in the IRC

Question 26: What data are available on the percentage of Initial Stock Offering (ISO) dispositions that are disqualifying dispositions?

IRS officials said that they have no data on the number of disqualifying stock dispositions (where the stock underlying the option is sold either within 2 years after the option is granted or 1 year after it is exercised). The information has not been tracked.

The Securities and Exchange Commission (SEC) also has no data that could be used to identify disqualifying dispositions. SEC receives information on ISOs granted to corporate officers and on stock sold by these officers, but no data exist that would link the two. In particular, the SEC has no way of knowing either whether the shares sold at a given time were acquired through exercising an option or when they were acquired.

Question 27: How many qualified retirement plans—and what types of plans—each year are determined to be top heavy and are required to comply with the top heavy requirements?¹⁴

We reported¹⁵ in August 2000, statistics characterizing new private pension plans that reported top-heavy status in 1996. These new, top-heavy plans tended to be small, defined contribution plans in the service sector of the economy. About 84 percent of the top-heavy plans established in 1996 had fewer than 10 participants. Top-heavy status varied widely with plan type, with reported frequencies of 67 percent for new defined benefit plans, 58 percent for new defined contribution plans without 401(k) features, and less than 10 percent for 401(k) defined contribution plans. While 52 percent of all new plans were in the service sector of the economy, 70 percent of the new top-heavy plans were service firms with most of them being physician, dentist, and legal service firms.

We reported only on new pension plans because we were unable to obtain reliable statistics on top-heavy status over the universe of all plans. This shortcoming is largely attributable to a vague question on IRS Form 5500, Return/Report of Employee Benefit Plan, that tax-qualified plans submit to IRS.

¹⁴A plan is deemed top-heavy if more than 60 percent of its contributions and benefits accrue to the top employees—the owners and officers of the business.

¹⁵Private Pensions: “Top-Heavy” Rules for Owner-Dominated Plans (GAO/HEHS-00-141, Aug. 31, 2000).

Comments From the Internal Revenue Service



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

March 29, 2001

Mr. Michael Brostek
Director, Tax Issues
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Brostek:

Thank you for the opportunity to comment on your draft report, "Information Related to the Scope and Complexity of the Federal Tax System."

The report, relating to seven areas the Joint Committee on Taxation (JCT) asked you to examine, is an extensive compilation of IRS data. As such, I commend it to Congress for the purpose of improving the tax system.

The IRS staff who reviewed the document generally had no problems with the data presented. Two exceptions are as follows:

- (1) On page 106 in the paragraph under the chart entitled "Table IV.6. Number of Taxpayer Contacts for IRS Assistance in Selected Years." The statement that "the walk-in and telephone data are limited to taxpayer requests for assistance and exclude contacts limited to requesting a form or responding to an IRS notice" is incorrect. Telephone data is not limited as this paragraph states; telephone volumes are total calls answered for all types of assistance.
- (2) On page 106 the numbers shown in Table IV.7, "Number of Times Taxpayers Were Assisted Through the TCE and VITA Programs in Selected Years." An internal report shows 1,572,017 for TCE and 1,756,789 for VITA for 1997.

Otherwise the information appears to be accurate.

As you know, IRS has continuing concerns about tax complexity, and I am pleased this information may be helpful to Congress in considering tax legislation. If you have any questions or comments, please call me or contact Floyd Williams, Director for Legislative Affairs, at (202) 622-3720.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles O. Rossotti".

Charles O. Rossotti

GAO Contacts and Staff Acknowledgments

Contacts

Michael Brostek (202) 512-9110

Tom Short (202) 512-9110

Staff Acknowledgments

In addition to those named above, Robert Floren, Cheryl Peterson, Rodney Hobbs, Nick Satriano, Susan Baker, Shirley Jones, John Mingus, Joseph Lenart, Marvin McGill, Steven Pruitt, James Slaterbeck, and Margaret Vallazza made contributions to this letter.

APPENDIX D.--

Materials Provided by the Congressional Research Service
to the Joint Committee in Connection with the
Study of the Overall State of the Federal Tax System



Memorandum

April 10, 2001

TO: Joint Committee on Taxation
Attention: Mary Schmitt

FROM: Richard Ehlke, Assistant Director
American Law Division

SUBJECT: Tax Simplification Project

We are pleased to submit the attached documents in connection with your project on complexity in the Internal Revenue Code. The attached documents have been prepared by 5 different CRS analysts: Robert Burdette, John Luckey, Eliot Maizels, Marie Morris, and Alan Talley.

The first document, prepared by Eliot Maizels, consists of a table analyzing tax bills introduced in the 105th and 106th Congress and a list of tax simplification bills introduced. This document shows that for these two Congresses, somewhere between 13 and 17 percent of all bills introduced each year were tax bills, but that only a very few tax bills were called simplification bills.

The second document, prepared by Alan Talley, is a compilation of amendments to the income tax laws enacted since 1954, listed by Congress and session.

The third document, prepared by Marie Morris, contains a list of the grants of regulatory authority to the Internal Revenue Service from 1991 to 2000. The fourth document, also prepared by Marie Morris, is an analysis of the regulatory guidance issued by the IRS during a single year, 2000. The analysis consists of two lists: the legislative authorities for the regulations and the frequency the particular statute was the basis for regulations proposed or finalized during 2000; and a chronological list of the guidance issued published in the IRS' Internal Revenue Bulletins during 2000. The table also indicates the effective date of the guidance and any previous or subsequent guidance issued on the same topic, according to the preamble of the guidance. This gives a picture of the time it takes for guidance to go from statute to proposed or temporary or final regulations.

The fifth document, prepared by John Luckey, lists the references to state law in the Internal Revenue Code and makes a brief determination as to whether the reference to state law adds to the complexity of the Code because of the necessity of consulting a source

outside the Code or whether it simplifies the Code by permitting the Internal Revenue Service to ignore state law or creating uniformity.

The sixth document, prepared by Robert Burdette, contains two analyses. The first lists the references to foreign laws or treaties in the Internal Revenue Code and analyzes whether the particular provision of law adds to complexity by necessitating examination of foreign law. The second examines the Model Income Tax Treaty of September 20, 1996, for provisions that add complexity to the determination of tax liability by U.S. citizens and business enterprises.

We hope that these documents will assist you in preparing for the hearings on tax simplification.

TO: Rick Grafmeyer, Joint Committee on Taxation

Sept. 18, 2000

FROM: Elliott Maizels, CRS Unit Supervisor

Subject: Tax Bill Statistics

The attached table contains the results of my analysis of tax bill statistics for the last two congresses. These numbers are different from those presented in the preliminary Aug. 4, memo from Rich Greenfield because at that time Rich had not spoken with anyone from your office concerning the request. Since then, I have spoken with you twice and Mary Schmitt once to clarify the request. Based on my conversations, the numbers differ because: (1) no resolutions are included; (2) only bills referred to either Finance or Ways and Means (with rare exceptions) are included; (3) for the most part, only bills which exclusively concern taxation are included and tangentially related bills have been excluded; and (4) a slightly different search strategy was used.

I have included, as you requested, a print-out of the official titles of the simplification bills for your perusal. Please note that some of the simplification bills do not entirely concern simplification, but do contain simplification provisions.

I can be reached at extension 7-6925 if you have questions.

Attachments: Tax legislation in the last two congresses table

105th Congress tax bills containing "simplification" language

106th Congress tax bills containing "simplification" language

Tax Legislation in the Last Two Congresses

	Year	Bills * Introduced	Bills Introduced by Chamber	Tax Bills**	% Tax Bills	Simplification Bills ***
105 th Congress	1997	4656	Senate 1,568	780	16.75	Senate 12
			House 3,088			House 14
	1998	2876	Senate 1,090	456	15.85	Senate 4
			House 1,786			House 11
106 th Congress	1999	5514	Senate 1,997	940	17.05	Senate 10
			House 3,517			House 16
	2000* *through the July 27 th break	2,590	Senate 1,002	343	13.24	Senate 7
			House 1,588			House 5

* No resolutions

** Bills referred to Ways and Means or Finance which either amend the Internal Revenue Code or are indexed under the term "Taxation"

*** Those tax bills containing the word "simple" or its variants: e.g. simplify, simplifying, or simplification

106th Congress Tax Bills Containing "Simplification" Language

38 Items were found bill #

Items 1 through 20 of 38

1. H.R.134 : To amend the Internal Revenue Code of 1986 to restructure and replace the income tax system of the United States to meet national priorities, and for other purposes.

Sponsor: Rep English, Phil - Latest Major Action: 1/6/1999 Referred to House committee

Committees: House Ways and Means

2. H.R.716 : To amend the Internal Revenue Code of 1986 to simplify the method of payment of taxes on distilled spirits.

Sponsor: Rep Collins, Mac - Latest Major Action: 2/11/1999 Referred to House committee

Committees: House Ways and Means

3. H.R.1040 : To promote freedom, fairness, and economic opportunity for families by reducing the power and reach of the Federal establishment.

Sponsor: Rep Armey, Richard K. - Latest Major Action: 3/9/1999 Referred to House committee

Committees: House Rules; House Ways and Means

4. H.R.1041 : To terminate the Internal Revenue Code of 1986.

Sponsor: Rep Largent, Steve - Latest Major Action: 3/9/1999 Referred to House committee

Committees: House Ways and Means

5. H.R.1097 : To amend the Internal Revenue Code of 1986 to simplify the \$500 per child tax credit and other individual non-refundable credits by repealing the complex limitations on the allowance of those credits resulting from their interaction with the alternative minimum tax.

Sponsor: Rep Neal, Richard E. - Latest Major Action: 3/11/1999 Referred to House committee

Committees: House Ways and Means

6. H.R.1407 : To amend the Internal Revenue Code of 1986 to simplify the individual capital gains tax for all individuals and to provide modest reductions in the capital gains tax for most individuals.

Sponsor: Rep Coyne, William J. - Latest Major Action: 4/14/1999 Referred to House committee

Committees: House Ways and Means

7. H.R.1420 : To amend the Internal Revenue Code of 1986 of provide a revenue-neutral simplification of the individual income tax.

Sponsor: Rep Neal, Richard E. - Latest Major Action: 4/14/1999 Referred to House committee

Committees: House Ways and Means

8. H.R.1525 : To amend the Internal Revenue Code of 1986 to provide simplified criteria, in lieu of the common law rules, for determining whether an individual is an employee or an independent

contractor and to limit retroactive employment tax reclassifications.

Sponsor: Rep Kleczka, Gerald D. - Latest Major Action: 4/22/1999 Referred to House committee

Committees: House Ways and Means

9. H.R.1616 : To amend the Internal Revenue Code of 1986 to simplify certain provisions applicable to real estate investment trusts.

Sponsor: Rep Thomas, William M. (Bill) - Latest Major Action: 4/28/1999 Referred to House committee

Committees: House Ways and Means

10. H.R.1708 : To amend the Internal Revenue Code of 1986 to provide a simplified method for determining a partner's share of items of a partnership which is a qualified investment club.

Sponsor: Rep Ramstad, Jim - Latest Major Action: 5/5/1999 Referred to House committee

Committees: House Ways and Means

11. H.R.1928 : To simplify certain provisions of the Internal Revenue Code of 1986.

Sponsor: Rep Houghton, Amo - Latest Major Action: 5/25/1999 Referred to House committee

Committees: House Ways and Means

12. H.R.2018 : To amend the Internal Revenue Code of 1986 to simplify certain rules relating to the taxation of United States business operating abroad, and for other purposes.

Sponsor: Rep Houghton, Amo - Latest Major Action: 6/7/1999 Referred to House committee

Committees: House Ways and Means

13. H.R.2136 : To amend the Internal Revenue Code of 1986 to provide that the capital gain treatment under section 631(b) of such Code shall apply to outright sales of timber held for more than 1 year.

Sponsor: Rep Collins, Mac - Latest Major Action: 6/10/1999 Referred to House committee

Committees: House Ways and Means

14. H.R.2190 : To amend the Internal Revenue Code of 1986 to provide small business employees with a simple, secure, and fully portable defined benefit plan.

Sponsor: Rep Johnson, Nancy L. - Latest Major Action: 6/14/1999 Referred to House

committee

Committees: House Ways and Means

15. H.R.2574 : To amend the Internal Revenue Code of 1986 to provide comprehensive tax relief for American families and businesses to encourage family stability, economic growth, and tax simplification.

Sponsor: Rep Maloney, James H. - Latest Major Action: 7/20/1999 Referred to House committee

Committees: House Ways and Means

16. H.R.3127 : To amend the Internal Revenue Code of 1986 to eliminate the complexities of the estate tax deduction for family-owned business and farm interests by increasing the unified estate and gift tax credit to \$3,000,000 for all taxpayers.

Sponsor: Rep Moore, Dennis - Latest Major Action: 10/21/1999 Referred to House committee

Committees: House Ways and Means

17. H.R.3905 : To amend the Internal Revenue Code of 1986 to repeal the provision taxing policyholder dividends of mutual life insurance companies and to repeal the policyholders surplus

account provisions.

Sponsor: Rep Houghton, Amo - Latest Major Action: 3/13/2000 Referred to House committee

Committees: House Ways and Means

18. H.R.4199 : To terminate the Internal Revenue Code of 1986.

Sponsor: Rep Largent, Steve - Latest Major Action: 5/2/2000 Referred to Senate committee

Committees: House Ways and Means; Senate Finance

19. H.R.4230 : To terminate the Internal Revenue Code of 1986.

Sponsor: Rep Largent, Steve - Latest Major Action: 4/11/2000 Referred to the House

Committee on Ways and Means. (On April 13, 2000, pursuant to H.Res. 473, an amendment in the nature of a substitute consisting of the text of H.R. 4230 was considered as adopted in H.R. 4199.) (CR 4/13/2000 D378)

Committees: House Ways and Means

20. H.R.4342 : To amend the Internal Revenue Code of 1986 to simplify the excise tax on heavy truck tires.

Sponsor: Rep Watkins, Wes - Latest Major Action: 4/13/2000 Referred to House committee

Committees: House Ways and Means

Items 21 through 38 of 38

21. H.R.5027 : To provide for the establishment of a commission to review and make recommendations to Congress on the reform and simplification of the Internal Revenue Code of 1986.

Sponsor: Rep DeMint, Jim - Latest Major Action: 7/27/2000 Referred to House committee
Committees: House Ways and Means

22. S.344 : A bill to amend the Internal Revenue Code of 1986 to provide a safe harbor for determining that certain individuals are not employees.

Sponsor: Sen Bond, Christopher S. - Latest Major Action: 2/3/1999 Referred to Senate committee
Committees: Senate Finance

23. S.434 : A bill to amend the Internal Revenue Code of 1986 to simplify the method of payment of taxes on distilled spirits.

Sponsor: Sen Breaux, John B. - Latest Major Action: 2/22/1999 Referred to Senate committee
Committees: Senate Finance

24. S.627 : A bill to terminate the Internal Revenue Code of 1986.

Sponsor: Sen Hutchinson, Y. Tim - Latest Major Action: 3/16/1999 Referred to Senate committee
Committees: Senate Finance

25. S.1040 : A bill to promote freedom, fairness, and economic opportunity for families by reducing the power and reach of the Federal establishment.

Sponsor: Sen Shelby, Richard C. - Latest Major Action: 5/13/1999 Referred to Senate committee
Committees: Senate Finance

26. S.1056 : A bill to amend the Internal Revenue Code of 1986 to improve tax equity for the Highway Trust Fund and to reduce the number of separate taxes deposited into the Highway Trust Fund, and for other purposes.

Sponsor: Sen Chafee, John H. - Latest Major Action: 5/14/1999 Referred to Senate committee
Committees: Senate Finance

27. S.1057 : A bill to amend the Internal Revenue Code of 1986 to simplify certain provisions applicable to real estate investment trusts.

Sponsor: Sen Mack, Connie - Latest Major Action: 5/14/1999 Referred to Senate committee
Committees: Senate Finance

28. S.1164 : A bill to amend the Internal Revenue Code of 1986 to simplify certain rules relating to the taxation of United States business operating abroad, and for other purposes.
Sponsor: Sen Hatch, Orrin G. - Latest Major Action: 5/27/1999 Referred to Senate committee
Committees: Senate Finance

29. S.1289 : A bill to amend the Internal Revenue Code of 1986 to provide that the capital gain treatment under section 631(b) of such Code shall apply to outright sales of timber held for more than 1 year.
Sponsor: Sen Sessions, Jeff - Latest Major Action: 6/28/1999 Referred to Senate committee
Committees: Senate Finance

30. S.1379 : A bill to amend the Internal Revenue Code of 1986 to provide broad based tax relief for all taxpaying families, to mitigate the marriage penalty, to expand retirement savings, to phase out gift and estate taxes, and for other purposes.
Sponsor: Sen Domenici, Pete V. - Latest Major Action: 7/15/1999 Referred to Senate committee
Committees: Senate Finance

31. S.1952 : A bill to amend the Internal Revenue Code of 1986 to provide a simplified method for determining a partner's share of items of a partnership which is a qualified investment club.
Sponsor: Sen Abraham, Spencer - Latest Major Action: 11/17/1999 Referred to Senate committee
Committees: Senate Finance

32. S.2246 : A bill to amend the Internal Revenue code of 1986 to clarify that certain small businesses are permitted to use the cash method of accounting even if they use merchandise or inventory.
Sponsor: Sen Bond, Christopher S. - Latest Major Action: 3/9/2000 Referred to Senate committee
Committees: Senate Finance

33. S.2401 : A bill to provide jurisdictional standards for imposition of State and local business activity, sales, and use tax obligations on interstate commerce, and for other purposes.
Sponsor: Sen Gregg, Judd - Latest Major Action: 4/11/2000 Referred to Senate committee
Committees: Senate Finance

34. S.2450 : A bill to terminate the Internal Revenue Code of 1986.
Sponsor: Sen Hutchinson, Y. Tim - Latest Major Action: 4/13/2000 Referred to Senate committee
Committees: Senate Finance

35. S.2587 : A bill to amend the Internal Revenue Code of 1986 to simplify the excise tax on heavy truck tires.

Sponsor: Sen Nickles, Don - Latest Major Action: 5/18/2000 Referred to Senate committee
Committees: Senate Finance

36. S.2642 : A bill to amend the Internal Revenue Code of 1986 to provide major tax simplification.

Sponsor: Sen Hatch, Orrin G. - Latest Major Action: 5/25/2000 Referred to Senate committee
Committees: Senate Finance

37. S.2775 : To foster innovation and technological advancement in the development of the Internet and electronic commerce, and to assist the States in simplifying their sales and use taxes.

Sponsor: Sen Dorgan, Byron L. - Latest Major Action: 6/22/2000 Referred to Senate committee
Committees: Senate Finance

38. S.2874 : A bill to amend the Internal Revenue Code of 1986 to repeal the provision taxing policyholder dividends of mutual life insurance companies and to repeal the policyholders surplus

account provisions.

Sponsor: Sen Moynihan, Daniel Patrick - Latest Major Action: 7/14/2000 Referred to Senate committee

Committees: Senate Finance

105th Congress Tax Bills Containing "Simplification" Language

41 Items were found bill #

Items 1 through 20 of 41

1. H.R.83: A bill to enhance and protect retirement savings.
Sponsor: Rep Schumer .

2. H.R.395: A bill to amend the Internal Revenue Code of 1986 to simplify the assessment and collection of the excise tax arrows.
Sponsor: Rep Barcia .

3. H.R.450: A bill to amend the Internal Revenue Code of 1986 to simplify the method of payment of taxes on distilled spirits.
Sponsor: Rep Ensign .

4. H.R.1040: A bill to promote freedom, fairness, and economic opportunity for families by reducing the power and reach of the Federal establishment.
Sponsor: Rep Armye .

5. H.R.1130: A bill to provide for retirement savings and security, and for other purposes.
Sponsor: Rep Gejdenson .

6. H.R.1150: A bill to amend the Internal Revenue Code of 1986 to simplify certain provisions applicable to real estate investment trusts.
Sponsor: Rep Shaw .

7. H.R.1656: A bill to amend the Internal Revenue Code of 1986 to provide small business employees with a simple, secure, and fully portable defined benefit plan.
Sponsor: Rep Johnson, N. .

8. H.R.1783: A bill to amend the Internal Revenue Code of 1986 to simplify certain rules relating to the taxation of United States business operating abroad, and for other purposes.
Sponsor: Rep Houghton .

9. H.R.2292: A bill to restructure the Internal Revenue Service, and for other purposes.
Sponsor: Rep Portman .

10. H.R.2400: A bill to authorize funds for Federal-aid highways, highway safety programs, and transit programs, and for other purposes.

Sponsor: Rep Shuster .- LATEST ACTION: 06/09/98 Public Law 105-178 .

11. H.R.2490: A bill to terminate the Internal Revenue Code of 1986.

Sponsor: Rep Largent .

12. H.R.2676: A bill to amend the Internal Revenue Code of 1986 to restructure and reform the Internal Revenue Service, and for other purposes.

Sponsor: Rep Archer .- LATEST ACTION: 07/22/98 Public Law 105-206 .

13. H.R.3059: A bill to amend the Internal Revenue Code of 1986 to eliminate the marriage penalty, to establish a commission to simplify the tax code, to require the Internal Revenue Service to use alternative dispute resolution, and for other purposes.

Sponsor: Rep Jackson-Lee .

14. H.R.3063: A bill to terminate the Internal Revenue Code of 1986.

Sponsor: Rep Largent .

15. H.R.3097: A bill to terminate the Internal Revenue Code of 1986.

Sponsor: Rep Largent .- LATEST ACTION: 06/18/98 Referred to Senate Committee on Finance .

16. H.R.3620: A bill to amend the Internal Revenue Code of 1986 to reduce individual income tax

rates, simplify the tax code, eliminate the marriage penalty, provide for return-free filing of income

taxes, prohibit income tax rates from increasing without a national referendum, eliminate corporate welfare, and for other purposes.

Sponsor: Rep Gephardt .

17. H.R.3623: A bill to amend the Internal Revenue Code of 1986 to simplify the individual capital gains tax for all individuals and to provide modest reductions in the capital gains tax for most individuals.

Sponsor: Rep Coyne .

18. H.R.3722: A bill to amend the Internal Revenue Code of 1986 to clarify the standards used for determining whether individuals are not employees.

Sponsor: Rep Christensen .

19. H.R.4038: A bill to establish the National Commission on Reforming and Simplifying the Federal Tax Code.

Sponsor: Rep Boswell .

20. H.R.4053: A bill to amend the Internal Revenue Code of 1986 to simplify the individual income tax by repealing the adjusted gross income limitations on itemized deductions and the personal exemption deduction, and for other purposes.

Sponsor: Rep Neal .

21. H.R.4173: A bill to amend the Internal Revenue Code of 1986 to simplify certain rules relating to the taxation of United States business operating abroad, and for other purposes.

Sponsor: Rep Houghton .

22. H.R.4454: A bill to amend the Internal Revenue Code of 1986 to simplify the individual capital gains tax for all individuals and to provide modest reductions in the capital gains tax for most individuals.

Sponsor: Rep Coyne .

23. H.R.4489: A bill to amend the Internal Revenue Code of 1986 to simplify the \$500 per child tax credit and other individual nonrefundable credits by repealing the complex limitations on the allowance of those credits resulting from their interaction with the alternative minimum tax.

Sponsor: Rep Neal .

24. H.R.4622: A bill to amend the Internal Revenue Code of 1986 to clarify the standards used for determining whether individuals are not employees.

Sponsor: Rep Dunn .

25. H.R.4700: A bill to amend the Internal Revenue Code of 1986 to restructure and replace the income tax system of the United States to meet national priorities, and for other purposes.

Sponsor: Rep English .

26. S.14: A bill to provide for retirement savings and security, and for other purposes.

Sponsor: Sen Daschle .

27. S.395: A bill to amend the Internal Revenue Code of 1986 to simplify the method of payment of taxes on distilled spirits.

Sponsor: Sen Breaux .

28. S.711: A bill to amend the Internal Revenue Code of 1986 to simplify the method of payment of taxes on distilled spirits.

Sponsor: Sen Breaux .

29. S.843: A bill to amend the Internal Revenue Code of 1986 to simplify certain rules relating to the taxation of United States business operating abroad, and for other purposes.

Sponsor: Sen Hatch .

30. S.883: A bill to amend the Internal Revenue Code of 1986 to encourage savings and investment through individual retirement accounts, to provide pension security, portability, and simplification, and for other purposes.

Sponsor: Sen Gregg .

31. S.898: A bill to amend the Internal Revenue Code of 1986 to simplify certain provisions applicable to real estate investment trusts.

Sponsor: Sen Hatch .

32. S.949: An original bill to provide revenue reconciliation pursuant to section 104(b) of the concurrent resolution on the budget for fiscal year 1998.

Sponsor: Sen Roth .- LATEST ACTION: 06/27/97 Text inserted in H.R. 2014 as passed Senate .

33. S.1040: A bill to promote freedom, fairness, and economic opportunity for families by reducing the power and reach of the Federal establishment.

Sponsor: Sen Shelby .

34. S.1096: A bill to restructure the Internal Revenue Service, and for other purposes.

Sponsor: Sen Kerrey .

35. S.1225: A bill to terminate the Internal Revenue Code of 1986.

Sponsor: Sen Hutchinson .

36. S.1520: A bill to terminate the Internal Revenue Code of 1986.

Sponsor: Sen Hutchinson .

37. S.1555: A bill to amend the Internal Revenue Code of 1986 to restructure and reform the Internal Revenue Service, and for other purposes.

Sponsor: Sen Faircloth .

38. S.1673: A bill to terminate the Internal Revenue Code of 1986.
Sponsor: Sen Hutchinson .

39. S.1748: A bill to amend the Internal Revenue Code of 1986 to provide that the reduced capital gains tax rates apply to long-term capital gain from property with at least a 1-year holding period.
Sponsor: Sen Mack .

40. S.1989: A bill to amend the Internal Revenue Code of 1986 to increase the standard deduction amount to reduce the marriage penalty, simplify the filing of individual tax returns, and provide tax relief for lower and middle income individuals, and for other purposes.
Sponsor: Sen Ford .

41. S.2231: A bill to amend the Internal Revenue Code of 1986 to simplify certain rules relating to the taxation of United States business operating abroad, and for other purposes.
Sponsor: Sen Hatch .

Income Tax Laws Since 1954

This listing, prepared by the Congressional Research Service for the Joint Committee on Taxation, provides the laws that have amended the Internal Revenue Code (Title 26 USC) since 1954. The compilation is extensive in that it covers both major tax laws as well as laws that have provide only minor code changes. The listing covers the period from 1954 (just prior to the enactment of the 1954 code) through the 106th Congress. The title of each act is provided followed by the public law number, the bill number, and enactment date. The preamble is given so as to provide the reader with the bill's context.

While this compilation is extensive, it is not designed to list every change made to the Internal Revenue Code. The listing does not include Social Security acts, those acts affecting the railroad retirement system, the unemployment compensation program, duties, the tariff schedules, or the public debt limit. Also not included are those public laws affecting the tax laws of the District of Columbia. However, when acts in these areas also include changes to the tax code, they have been included.

An index appears at the end of this document.

Eighty-Third Congress, Second Session

Excise Tax Reduction Act of 1954

P.L. 83-324 [H.R. 8224] enacted March 31, 1954

Preamble *To reduce excise taxes, and for other purposes.*

Copper

P.L. 83-452 [H.R. 7709] enacted June 30, 1954

Preamble *To continue until the close of June 30, 1955, the suspension of certain import taxes on copper.*

Revised Organic Act of the Virgin Islands

P.L. 83-517 [S.3378] enacted July 22, 1954

Preamble *To revise the Organic Act of the Virgin Islands of the United States.*

District Courts' Jurisdiction

P.L. 83-559 [S. 252] enacted July 30, 1954

Preamble *To permit all civil actions against the United States for recovery of taxes erroneously or illegally assessed or collected to be brought in the district courts with right of trial by jury.*

Employment Security Administrative Financing Act of 1954

P.L. 83-567 [H.R. 5173] enacted August 5, 1954

Preamble *To provide that the excess of collections from the Federal unemployment tax over employment security administrative expenses shall be used to establish and maintain a \$200,000,000 reserve in the Federal unemployment account which will be available for advances to the States, to provide that the remainder of such excess shall be returned to the States, and for other purposes.*

Internal Revenue Code of 1954

P.L. 83-591 [H.R. 8300] enacted August 16, 1954

Preamble *To revise the internal revenue laws of the United States.*

Oral Prescriptions for Narcotic Drugs

P.L. 83-729 [S. 3447] enacted August 31, 1954

Preamble *To amend the Internal Revenue Code to permit the filling of oral prescriptions for certain drugs, and for other purposes.*

Railroad Retirement Tax Amendments

P.L. 83-746 [H.R. 7840] enacted August 31, 1954.

Preamble *To amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.*

Social Security Tax Amendments of 1954

P.L. 83-761 enacted September 1, 1954

Preamble *To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.*

Federal Unemployment Tax Amendments

P.L. 83-767 [H.R. 9709] enacted September 1, 1954

Preamble *To extend and improve the unemployment compensation program.*

Eighty-Fourth Congress, First Session

Violation of Narcotic Drug Laws

P.L. 84-1 [H.R. 2369] enacted January 20, 1955

Preamble *To amend section 7237 of the Internal Revenue Code of 1954.*

Tax Court Judges and Congressional Salaries Increase

P.L. 84-9 [H.R. 3828] enacted March 2, 1955

Preamble *To adjust the salaries of judges of United States courts, United States attorneys, members of Congress, and for other purposes.*

Tax Rate Extension Act of 1955

P.L. 84-18 [H.R. 4259] enacted March 30, 1955

Preamble *To provide a one-year extension of the existing corporate normal-tax rate and of certain excise-tax rates.*

Metal Scrap

P.L. 84-66 [H.R. 5223] enacted June 8, 1955

Preamble *To continue until the close of June 30, 1956, the suspension of duties and import taxes on metal scrap, and for other purposes.*

Accounting Method Amendments

P.L. 84-74 [H.R. 4725] enacted June 15, 1955

Preamble *To repeal sections 452 and 462 of the Internal Revenue Code of 1954.*

Suspension of Copper Import Taxes

P.L. 84-91 [H.R. 5695] enacted June 21, 1955

Preamble *To continue until the close of June 30, 1958, the suspension of certain import taxes on copper.*

Renegotiation Act of 1951, Extension

P.L. 84-216 [H.R. 4904] enacted August 3, 1955

Preamble *To extend the Renegotiation Act of 1951 for two years.*

Armed Forces Retirement Income Tax Credit

P.L. 84-299 [H.R. 291] enacted August 9, 1955

Preamble *To extend the retirement income tax credit to members of the Armed Forces.*

Floor Stocks Refunds

P.L. 84-303 [H.R. 3712] enacted August 9, 1955

Preamble *To extend the period during which claims for floor stocks refunds may be filed with respect to certain manufacturers' excise taxes which were reduced by the Excise Tax Reduction Act of 1954.*

Collection of Income Tax at Source on Wages

P.L. 84-306 [H.R. 542] enacted August 9, 1955

Preamble *To amend the Internal Revenue Code.*

Amendment of Revenue Act of 1951 for Armed Forces Members Dying in Service

P.L. 84-310 [H.R. 2619] enacted August 9, 1955

Preamble *To amend section 345 of the Revenue Act of 1951.*

Leases of Certain Trailers

P.L. 84-317 [H.R. 3437] enacted August 9, 1955

Preamble *To amend the Internal Revenue Code of 1954 to provide for a maximum manufacturers' excise tax on the leases of certain automobile utility trailers.*

Income Tax, Collection at Source on Wages

P.L. 84-321 [H.R. 4394] enacted August 9, 1955

Preamble *To amend section 3401 of the Internal Revenue Code of 1954.*

Exemption for Dependents in the Philippines

P.L. 84-333 [H.R. 7148] enacted August 9, 1955

Preamble *To amend the Internal Revenue Code so as to provide a personal exemption with respect to certain dependents in the Republic of the Philippines.*

Tax on Admissions—United States Olympic Association

P.L. 84-354 [H.R. 7095] enacted August 11, 1955

Preamble *To provide that the tax on admissions shall not apply to certain athletic events held for the benefit of the United States Olympic Association.*

IRC 1954 Amendments

P.L. 84-355 [H.R. 4581] enacted August 11, 1955

Preamble *To amend the Internal Revenue Code of 1954 with respect to the tax on cutting oils.*

Spirits and Wines Lost in 1954 Hurricanes

P.L. 84-363 [H.R. 5249] enacted August 11, 1955

Preamble *To amend the Internal Revenue Code of 1954 to provide for refund or credit of internal revenue taxes and customs duties paid on distilled spirits and wines lost, rendered unmarketable, or condemned by health authorities as a result of the hurricanes of 1954.*

Tax Treatment of Income from Patent Infringement Suits

P.L. 84-366 [H.R. 7300] enacted August 11, 1955

Preamble *To amend the Internal Revenue Code of 1954 with respect to the tax treatment of income received from patent infringement suits.*

Manufacturers' Excise Taxes

P.L. 84-367 [H.R. 7024] enacted August 11, 1955

Preamble *To remove the manufacturers' excise tax from the sales of certain component parts for use in other manufactured articles, to confine to entertainment-type equipment the tax on radio and television apparatus, and for other purposes.*

Use of Corporation Property By a Shareholder

P.L. 84-370 [H.R. 4672] enacted August 11, 1955

Preamble *To amend section 223 of the Revenue Act of 1950, relating to the use of corporation property by a shareholder.*

Manufacturers Excise Tax on Motorcycles

P.L. 84-379 [H.R. 5647] enacted August 12, 1955

Preamble *To repeal the manufacturers excise tax on motorcycles.*

Railroad Retirement and Unemployment Insurance

P.L. 84-383 [H.R. 4744] enacted August 12, 1955

Preamble *To amend the Railroad Retirement Act of 1937, as amended, and the Railroad Unemployment Insurance Act.*

Residences of Armed Forces; Recovery Involving Patent Infringement

P.L. 84-384 [H.R. 257] enacted August 12, 1955

Preamble *To amend section 112(n)(8) of the Internal Revenue Code of 1939, relating to the suspension of certain periods of limitation while the taxpayer is on extended active duty with the Armed Forces, and to amend the Internal Revenue Code of 1954 with respect to tax treatment where the taxpayer recovers amounts held by another under claim of right.*

Income Taxes on Arbitrage Operations in Securities and Personal Holding Companies

P.L. 84-385 [H.R. 6263] enacted August 12, 1955

Preamble *To amend section 1233 and section 542(a)(2) of the Internal Revenue Code of 1954.*

Eighty-Fourth Congress, Second Session

Carryovers of Unused Pension Trust Deductions

P.L. 84-396 [H.R. 4582] enacted January 28, 1956

Preamble *To amend the Internal Revenue Code of 1954 with respect to deductions from gross income of amounts contributed to employees trusts.*

Internal Revenue Code of 1939, Amendment

P.L. 84-397 [H.R. 5428] enacted January 28, 1956

Preamble *To amend the Internal Revenue Code of 1939 with respect to the period of limitation for filing claims by certain transferees and fiduciaries for credit or refund of income taxes.*

Limitation on Retirement Income Tax Credit

P.L. 84-398 [H.R. 7036] enacted January 28, 1956

Preamble *To amend section 37 of the Internal Revenue Code of 1954 with respect to the earned income limitation on retirement income.*

Western Hemisphere Trade Corporation

P.L. 84-399 [H.R. 7282] enacted January 28, 1956

Preamble *Relating to the allowance of the credits for dividends received, for dividends paid, and for a Western Hemisphere trade corporation in computing the alternative tax of a corporation with respect to its capital gains.*

Documentary Stamp Tax

P.L. 84-400 [H.R. 7364] enacted January 28, 1956

Preamble *Relating to the application of the documentary stamp tax to transfers of certain obligations paid for in installments.*

Taxes; Charitable Contributions

P.L. 84-408 [H.R. 7094] enacted February 15, 1956

Preamble *To amend section 120 of the Internal Revenue Code of 1939 (relating to unlimited deduction for charitable contributions).*

Technical Changes Act of 1953, Amendment

P.L. 84-414 [H.R. 2667] enacted February 20, 1956

Preamble *To amend section 208(b) of the Technical Changes Act of 1953, and for other purposes.*

Estate Taxes, Credit

P.L. 84-417 [H.R. 7054] enacted February 20, 1956

Preamble *To amend the Internal Revenue Code of 1939 to provide a credit against the estate tax for Federal estate taxes paid on certain prior transfers.*

Life Insurance Company Tax Act for 1955

P.L. 84-429 [H.R. 7201] enacted March 13, 1956

Preamble *Relating to the taxation of income of insurance companies.*

Tax Rate Extension Act of 1956

P.L. 84-458 [H.R. 9166] enacted March 29, 1956

Preamble *To provide a one-year extension of the existing corporate normal-tax rate and of certain excise-tax rates.*

Taxes, Gasoline and Special Fuels Used for Farming; Tax Exemption

P.L. 84-466 [H.R. 8780] enacted April 2, 1956

Preamble *To amend the Internal Revenue Code of 1954 to relieve farmers from excise taxes in the case of gasoline and special fuels used on the farm for farming purposes.*

Capital Gains; Real Property Subdivided For Sale

P.L. 84-495 [H.R. 6712] enacted April 27, 1956

Preamble *To amend section 1237 of the Internal Revenue Code of 1954.*

Distributions Pursuant to Bank Holding Company Act of 1956

P.L. 84-511 [H.R. 6227] enacted May 9, 1956

Preamble *To define bank holding companies, control their future expansion, and require divestment of their nonbanking interests.*

Excise Taxes on Sugar

P.L. 84-545 [H.R. 7030] enacted May 29, 1956

Preamble *To amend and extend the Sugar Act of 1948, as amended, and for other purposes.*

Federal-Aid Highway Act of 1956

Title II Highway Revenue Act of 1956

P.L. 84-627 [H.R. 10660] enacted June 29, 1956

Preamble *To amend and supplement the Federal-Aid Road Act approved July 11, 1916, to authorize appropriations for continuing the construction of highways; to amend the Internal Revenue Code of 1954 to provide additional revenue from the taxes on motor fuel, tires, and trucks and buses; and for other purposes.*

Railroad Reorganizations; Recognition of Gain or Loss

P.L. 84-628 [H.R. 7247] enacted June 29, 1956

Preamble *Relating to recognition of gain or loss in certain railroad reorganizations and to amend section 108(b) of the Internal Revenue Code of 1954.*

Income Tax Deductions; Trademark and Trade Name Expenditures

P.L. 84-629 [H.R. 6143] enacted June 29, 1956

Preamble *To amend the Internal Revenue Codes of 1939 and 1954, and for other purposes.*

Distilled Spirits, National Emergency Transfers and Undistributed Capital Gains of Regulated Investment Companies

P.L. 84-700 [H.R. 11714] enacted July 11, 1956

Preamble *To amend sections 5217(c) and 852(b)(3) of the Internal Revenue Code of 1954.*

Mutual Security Act of 1956

P.L. 84-726 [H.R. 11356] enacted July 18, 1956

Preamble *To amend further the Mutual Security Act of 1954, as amended, and for other purposes.*

Narcotic Control Act of 1956

P.L. 84-728 [H.R. 11619] enacted July 18, 1956

Preamble *To amend the Internal Revenue Code of 1954 and the Narcotic Drugs Import and Export Act to provide for a more effective control of narcotic drugs and marihuana, and for other related purposes.*

Life Insurance Companies; Income Tax

P.L. 84-784 [H.R. 11995] enacted July 24, 1956

Preamble *To provide that the 1955 formula for taxing income of life insurance companies shall also apply to taxable years beginning in 1956.*

Taxes, Foreign Transportation Exemption

P.L. 84-796 [H.R. 5265] enacted July 25, 1956

Preamble *To exempt certain additional foreign travel from the tax on the transportation of persons.*

Social Security Amendments of 1956

P.L. 84-880 [H.R. 7225] enacted August 1, 1956

Preamble *To amend title II of the Social Security Act of provide disability insurance benefits for certain disabled individuals who have attained age fifty, to reduce to age sixty-two the age on the basis of which benefits are payable to certain women, to provide for child's insurance benefits for children who are disabled before attaining age eighteen, to extend coverage, and for other purposes.*

Servicemen's and Veterans' Survivor Benefits Act

P.L. 84-881 [H.R. 7089] enacted August 1, 1956

Preamble *To provide benefits for the survivors of servicemen and veterans, and for other purposes.*

Guam, Application of Federal Laws, Federal Seed Act

P.L. 84-896 [H.R. 11522] enacted August 1, 1956

Preamble *To implement section 25(b) of the Organic Act of Guam by carrying out the recommendations of the Commission on the Application of Federal Laws to Guam, and for other purposes.*

Estate Taxes

P.L. 84-901 [H.R. 6595] enacted August 1, 1956

Preamble *To amend certain provisions of law relating to the estate tax.*

Tax on Admissions

P.L. 84-1010 [H.R. 9875] enacted August 6, 1956

Preamble *To amend the Internal Revenue Code of 1954 to provide that the tax on admissions shall apply only if the amount paid for the admission exceeds 90 cents.*

Estate Taxes, Bequests in Trust

P.L. 84-1011 [H.R. 11834] enacted August 6, 1956

Preamble *To allow a charitable deduction for certain bequests.*

Tax on Transportation

P.L. 1015 [H.R. 7634] enacted August 7, 1956

Preamble *To provide that amounts which do not exceed 60 cents shall be exempt from the tax imposed upon amounts paid for the transportation of persons.*

Taxes, Contributions for Medical Research

P.L. 1022 [H.R. 12152] enacted August 7, 1956

Preamble *To amend the Internal Revenue Code of 1954 to provide for the allowance, as deductions, of contributions to medical research organizations.*

Eighty-Fifth Congress, First Session

Tax Rate Extension Act of 1957

P.L. 85-12 [H.R. 4090] enacted March 29, 1957

Preamble *To provide a fifteen-month extension of the existing corporate normal-tax rate and of certain excise tax rates.*

Veterans' Benefits Act of 1957

P.L. 85-56 [H.R. 53] enacted June 17, 1957

Preamble *To consolidate into one Act, and to simplify and make more uniform, the laws administered by the Veterans' Administration relating to compensation, pension, hospitalization, and burial benefits, and to consolidate into one Act the laws pertaining to the administration of the laws administered by the Veterans' Administration.*

Exemption of Armed Forces Furlough Travel from Transportation Tax

P.L. 85-74 [H.R. 7954] enacted June 29, 1957

Preamble *Relating to the exemption of furlough travel by service personnel from the tax on the transportation of persons.*

Adjustment for Breach of Contract Damages; Amortization of Emergency Facilities

P.L. 85-165 [H.R. 232] enacted August 26, 1957

Preamble *To amend the Internal Revenue Code of 1954 with respect to the readjustment of tax in the case of certain amounts received for breach of contract, and to restrict the issuance of certificates for rapid amortization of emergency facilities.*

Internal Revenue Code of 1954, Amendments for Ministers

P.L. 85-239 [H.R. 8892] enacted August 30, 1957

Preamble *To amend the Internal Revenue Code of 1954 to extend the time within which a minister may elect coverage as a self-employed individual for Social Security purposes, the value of meals and lodging furnished him for the convenience of his employer and the rental value of the parsonage furnished to him, and for other purposes.*

Eighty-Fifth Congress, Second Session

Incompetent Decedents

P.L. 85-318 [H.R. 5938] enacted February 11, 1958

Preamble *To amend section 812(e)(1)(D) of the Internal Revenue Code of 1939 with respect to certain decedents who were adjudged incompetent before April 2, 1948.*

Use of Corporate Property by Shareholder

P.L. 85-319 [H.R.7762] enacted February 11,1958

Preamble *To amend section 223 of the Revenue Act of 1950 so that it will apply to taxable years ending in 1954 to which the Internal Revenue Code of 1939 applies.*

Income Taxes; Stock Options

P.L. 85-320 [H.R. 9035] enacted February 11, 1958

Preamble *To amend the Internal Revenue Code of 1954 with respect to the basis of stock acquired by the exercise of restricted stock options after the death of the employee.*

Collected Taxes; Administration

P.L. 85-321 [H.R.8865] enacted February 11, 1958

Preamble *Relating to the administration of certain collected taxes.*

Alcohol and Tobacco Tax Refund

P.L. 85-323 [H.R.8216] enacted February 11, 1958

Preamble *To amend the Internal Revenue Code of 1954 to prevent unjust enrichment by precluding refunds of alcohol and tobacco taxes to persons who have not borne the ultimate burden of the tax.*

Taxes, Life-Insurance Companies

P.L. 85-345 [H.R.10021] enacted March 17, 1958

Preamble *To provide that the 1955 formula for taxing income of life insurance companies shall also apply to taxable years beginning in 1957.*

Taxes; Unrelated Business Taxable Income

P.L. 85-367 [H.R.8268] enacted April 7, 1958

Preamble *To amend section 512 of the Internal Revenue Code of 1954.*

Admissions Tax; Exemptions

P.L. 85-380 [H.R.8794] enacted April 16, 1958

Preamble *To provide exemptions from the tax imposed on admissions for admissions to certain musical and dramatic performances and certain athletic events.*

Tax Rate Extension Act of 1958

P.L. 85-475 [H.R.12695] enacted June 30, 1958

Preamble *To provide a one-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and to provide for the repeal of the taxes on the transportation of property.*

Distilled Spirits; National Emergency Transfers

P.L. 85-517 [H.R.13130] enacted July 11, 1958

Preamble *To extend for two years the existing authority of the Secretary of the Treasury with respect to transfers of distilled spirits for purposes deemed necessary to meet the requirements of the national defense.*

Income Tax Offenses: Jurisdiction

P.L. 85-595 [H.R. 8252] enacted August 6, 1958

Preamble *To amend section 3237 of title 18 of the United States Code to define the place at which certain offenses against the income tax laws tax place.*

Federal Income Tax Applicability: Guam

P.L. 85-688 [H.R. 12569] enacted August 20, 1958

Preamble *To amend section 31 of the Organic Act of Guam, and for other purposes.*

Social Security Amendments of 1958

Title IV– Amendments to the Internal Revenue Code of 1954

P.L. 85-840 [H.R. 13549] enacted August 28, 1958

Preamble *To increase benefits under the Federal Old-Age, Survivors, and Disability Insurance System, to improve the actuarial status of the Trust Funds of such System, and other wise improve such System,; to amend the public assistance and maternal and child health and welfare provisions of the Social Security Act; and for other purposes.*

Veterans’ Benefits. Enactments as Title 38, U.S. Code

P.L. 85-857 [H.R. 9700] enacted September 2, 1958

Preamble *To consolidate into one Act all of the laws administered by the Veterans’ Administration, and for other purposes.*

Excise Tax Technical Changes Act of 1958

P.L. 85-859 [H.R. 7125] enacted September 2, 1958

Preamble *To make technical changes in the Federal excise tax laws, and for other purposes.*

Technical Amendments Act of 1958

P.L. 85-866 [H.R. 8381] enacted September 2, 1958

Preamble *To amend the Internal Revenue Code of 1954 to correct unintended benefits and hardships and to make technical amendments, and for other purposes.*

Armed Forces, Army and Navy Surgeons General, Responsibilities

P.L. 85-881 [S. 2006] enacted September 2, 1958

Preamble *To relieve the Surgeons General of the Army and Navy of certain responsibilities outside the Department of Defense.*

Corporations: Tax Refund Suits

P.L. 85-920 [H.R. 9817] enacted September 2, 1958

Preamble *An Act relating to venue in tax refund suits by corporations.*

Eighty-Sixth Congress, First Session

Tax Suspension on Palm Oil, Etc.

P.L. 86-37 [H.R. 147] enacted May 29, 1959

Preamble *To suspend temporarily the tax on the processing of palm oil, palm-kernal oil, and fatty acids, salts, and combinations, or mixtures thereof.*

Life Insurance Company Income Tax Act of 1959

P.L. 86-69 [H.R. 4245] enacted June 25, 1959

Preamble *Relating to the taxation of the income of life insurance companies.*

Alaska Omnibus Act

P.L. 86-70 [H.R. 7120] enacted June 25, 1959

Preamble *To amend certain laws of the United States in light of the admission of the State of Alaska into the Union, and for other purposes.*

Tax Rate Extension Act of 1959

P.L. 86-75 [H.R. 7523] enacted June 30, 1959

Preamble *To provide a one-year extension of the existing corporate normal-tax rate and of certain excise tax rates, and for other purposes.*

Revocable Transfers

P.L. 86-141 [H.R. 1219] enacted August 7, 1959

Preamble *To amend section 2038 of the Internal Revenue Code of 1954 (relating to revocable transfers).*

Farm Credit Act of 1959

P.L. 86-168 [S. 1512] enacted August 18, 1959

Preamble *To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.*

Estate Tax Deduction

P.L. 86-175 [H.R. 137] enacted August 21, 1959

Preamble *To allow a deduction for Federal estate tax purposes, in the case of certain transfers to charities which are subjected to foreign death taxes.*

Taxes; Claims for Credit

P.L. 86-280 [H.R. 2906] enacted September 16, 1959

Preamble *To extend the period for filing claims for credit or refund of overpayments of income taxes arising as a result of renegotiation of Government contracts.*

Admissions Tax, Athletic Games

P.L. 86-319 [H.R. 4857] enacted September 21, 1959

Preamble *To amend section 4233 of the Internal Revenue Code of 1954 to provide that the exemptions from the admissions tax for athletic games benefitting crippled or retarded children shall apply where the participants have recently attended designated schools or colleges as well as where they are currently students.*

Federal-Aid Highway Act of 1959

Title II—Internal Revenue Code and Highway Trust Fund Amendments

P.L. 86-342 [H.R. 8678] enacted September 21, 1959

Preamble *To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.*

Excise Tax Laws, Technical Changes

P.L. 86-344 [H.R. 8725] enacted September 21, 1959

Preamble *To amend the Internal Revenue Code of 1954 to make technical changes in certain excise tax laws, and for other purposes.*

U.S. Savings Bonds, Interest Rates Increase

P.L. 86-346 [H.R. 9035] enacted September 22, 1959

Preamble *To permit the issuance of series E and H United States savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes.*

Chief Counsel for the Internal Revenue Service

P.L. 86-368 [H.R. 8685] enacted September 22, 1959

Preamble *To amend the Internal Revenue Code of 1954 to provide for the Presidential appointment of a Chief Counsel for the Internal Revenue Service, and for other purposes.*

Internal Revenue Code of 1954, Adoption and Small Business Corporations Election Amendments

P.L. 86-376 [H.R. 47] enacted September 23, 1959

Preamble *To amend the Internal Revenue code of 1954 to provide a personal exemption for children placed for adoption and to clarify certain provisions relating to the election of small business corporations as to taxable status.*

Eighty-Sixth Congress, Second Session

Aromatic Cachous

P.L. 86-413 [H.R. 4586] enacted April 8, 1960

Preamble *To amend section 4021 of the Internal Revenue Code of 1954.*

Documentary Stamp Tax Rate

P.L. 86-416 [H.R. 6132] enacted April 8, 1960

Preamble *Relating to the rate of tax on the issuance of shares or certificates of stock by regulated investment companies.*

Taxes, Bicycle Tires and Tubes

P.L. 86-418 [H.R. 8318] enacted April 8, 1960

Preamble *To amend the Internal Revenue Code of 1954 to exempt bicycle tires and tubes used in the manufacture or production of new bicycles from the manufacturers excise tax on tires and tubes.*

Cabaret Tax

P.L. 86-422 [H.R. 2164] enacted April 8, 1960

Preamble *To reduce the cabaret tax from 20 percent to 10 percent.*

Tax Exemption, Credit Unions

P.L. 86-428 [H.R. 6155] enacted April 22, 1960

Preamble *To amend the Internal Revenue Code of 1954 to exempt from taxation certain nonprofit corporations or associations organized after August 31, 1951.*

Narcotics Manufacturing Act of 1960

P.L. 86-429 [H.R. 529] enacted April 22, 1960

Preamble *To discharge more effectively obligations of the United States under certain conventions and protocols relating to the institution of controls over the manufacture of narcotic drugs, and for other purposes.*

Personal Holding Company Tax, Copyright Royalties

P.L. 86-435 [H.R. 7588] enacted April 22, 1960

Preamble *To amend the Internal Revenue Code of 1954 with respect to the treatment of copyright royalties for purposes of the personal holding company tax.*

Taxes, Employees' Trusts, Taxability

P.L. 86-437 [H.R. 135] enacted April 22, 1960

Preamble *To amend the Internal Revenue Code of 1954 to exclude from gross income amounts paid by the United States to certain nonresident alien employees or their beneficiaries.*

Taxes, Laminated Tires

P.L. 86-440 [H.R. 6785] enacted April 22, 1960

Preamble *To amend section 4071 of the Internal Revenue Code so as to fix a tax of 1 cent per pound for certain laminated tires produced from used tires.*

Dealer Reserve Income Adjustment Act of 1960

P.L. 86-459 [H.R. 8684] enacted May 13, 1960

Preamble *To provide transitional provisions for the income tax treatment of dealer reserve income.*

Taxes, Assessing Additions

P.L. 86-470 [H.R. 9660] enacted May 14, 1960.

Preamble *To amend section 6659(b) of the Internal Revenue Code of 1954 with respect to the procedure for assessing certain additions to tax, and for other purposes.*

Taxes, Firearms

P.L. 86-478 [H.R. 4029] enacted June 1, 1960

Preamble *To amend the Internal Revenue Code of 1954 to eliminate the proration of the occupational tax on persons dealing in machine guns and certain other firearms, to reduce occupational and transfer taxes on certain weapons, to make the transferor and transferee jointly liable for the transfer tax on firearms, and to make certain changes in the definition of a firearm.*

Taxes, Railroad Corporations

P.L. 86-496 [H.R. 11405] enacted June 8, 1960

Preamble *To provide for the treatment of income from discharge of indebtedness of a railroad corporation in a receivership proceeding or in a proceeding under section 77 of the Bankruptcy Act commenced before January 1, 1960, and for other purposes.*

Public Debt and Tax Rate Extension Act of 1960

P.L. 86-564 [H.R. 12381] enacted June 30, 1960

Preamble *To increase for a one-year period the public debt limit set forth in section 21 of the Second Liberty Bond Act and to extend for one year the existing corporate normal-tax rate and certain excise-tax rates, and for other purposes.*

Sugar Act of 1948, Amendment

P.L. 86-592 [H.R. 12311] enacted July 6, 1960

Preamble *To amend the Sugar Act of 1948, as amended.*

Exploration Expenditures

P.L. 86-594 [H.R. 4251] enacted July 6, 1960

Preamble *To amend the Internal Revenue Code of 1954 with respect to the limitation on the deduction of exploration expenditures.*

Hawaii Omnibus Act

P.L. 86-624 [H.R. 11602] enacted July 12, 1960

Preamble *To amend certain laws of the United States in light of the admission of the State of Hawaii into the Union, and for other purposes.*

Supplemental Unemployment Benefit Trusts, Tax Exemptions

P.L. 86-667 [H.R. 8229] enacted July 14, 1960

Preamble *To amend the Internal Revenue Code of 1954 to provide an exemption from income tax for supplemental unemployment benefit trusts.*

Overseas Differentials and Allowances Act

P.L. 86-707 [H.R. 7758] enacted September 6, 1960

Preamble *To improve the administration of overseas activities of the Government of the United States, and for other purposes.*

Taxes, Cigars

P.L. 86-779 [H.R. 10960] enacted September 14, 1960

Preamble *To amend section 5701 of the Internal Revenue Code of 1954 with respect to the excise tax upon cigars, and for other purposes.*

Foreign Tax Credit Amendment

P.L. 86-780 [H.R. 10087] enacted September 14, 1960

Preamble *To amend the Internal Revenue Code of 1954 to permit taxpayers to elect an overall limitation on the foreign tax credit.*

Manufacturers Excise Taxes, Advertising Charges

P.L. 86-781 [H.R. 12536] enacted September 14, 1960

Preamble *Relating to the treatment of charges for local advertising for purposes of determining the manufacturers sale price.*

Eighty-Seventh Congress, First Session**Sugar Act of 1948: Amendment**

P.L. 87-15 [H.R. 5463] enacted March 31, 1961

Preamble *To amend and extend the Sugar Act of 1948, as amended.*

Tax Exemption, Foreign Central Bank Issues

P.L. 87-29 [H.R. 5189] enacted May 4, 1961

Preamble *To amend the Internal Revenue Code of 1954 to exempt from tax income derived by a foreign central bank of issue from obligations of the United States, and for other purposes.*

Report on Renegotiation, Time Extension

P.L. 87-55 [H.J. Res. 437] enacted June 21, 1961

Preamble *Relating to the time for filing a report on renegotiation by the Joint Committee on Internal Revenue Taxation.*

Public Debt, Gifts

P.L. 87-58 [H.R. 311] enacted June 27, 1961

Preamble *To authorize the acceptance by the Government of gifts to be used to reduce the public debt.*

Plumbers Union Local No. 12, Pension Fund

P.L. 87-59 [H.R. 1877] enacted June 27, 1961

Preamble *Relating to the effective date of the qualification of Plumbers Union Local Numbered 12 Pension Fund as a qualified trust under section 401(a) of the Internal Revenue Code of 1954, and for other purposes.*

Federal-Aid Highway Program

Title II—Internal Revenue Code and Highway Trust Fund Amendments

P.L. 87-61 [H.R. 6713] enacted June 29, 1961

Preamble *To amend certain laws relating to Federal-aid highways to make certain adjustments in the Federal-aid highway program, and for other purposes.*

Tax Rate Extension Act of 1961

P.L. 87-72 [H.R. 7446] enacted June 30, 1961

Preamble *To provide a one-year extension of the existing corporate normal-tax rate and of certain excise-tax rates.*

Income Taxes, Membership Organizations

P.L. 87-109 [H.R. 929] enacted July 26, 1961

Preamble *To amend the Internal Revenue Code of 1954 to permit the prepaid dues income of certain membership organizations to be included in gross income for the taxable years to which the dues relate.*

Mutual Educational and Cultural Exchange Act of 1961

P.L. 87-256 [H.R. 8666] enacted September 21, 1961

Preamble *To provide for the improvement and strengthening of the international relations of the United States by promoting better mutual understanding among the peoples of the world through educational and cultural exchanges.*

Peace Corps Act

P.L. 87-293 [H.R. 7500] enacted September 22, 1961

Preamble *To provide for a Peace Corps to help the peoples of interested countries and areas in meeting their needs for skilled manpower.*

Income Tax, Clay Products

P.L. 87-312 [H.R. 7057] enacted September 26, 1961

Preamble *Relating to the determination of gross income from the property for taxable years prior to 1961 in the case of certain clays and shale which were used in the manufacture of certain clay products.*

Federal Unemployment Tax Act, Amendment

P.L. 87-321 [H.R. 2585] enacted September 26, 1961

Preamble *Relating to the credits against the employment tax in the case of certain successor employers and to provide an election for past taxable years with respect to the determination of gross income from mining in the case of quartzite and clay used in the production of refractory products.*

Judges, Tax Court of U.S., Annuities to Widows and Children

P.L. 87-370 [H.R. 4317] enacted October 4, 1961

Preamble *To amend the Internal Revenue Code of 1954 and incorporate therein provisions for the payment of annuities to widows and certain dependents of the judges of the Tax Court of the United States, and for other purposes.*

Taxes, Account Numbers

P.L. 87-397 [H.R. 8876] enacted October 5, 1961

Preamble *To amend the Internal Revenue Code of 1954 to permit the use of identifying numbers.*

Eighty-Seventh Congress, Second Session**Stock, Antitrust Distribution, Income Tax Treatment**

P.L. 87-403 [H.R. 8847] enacted February 2, 1962

Preamble *To amend the Internal Revenue Code of 1954 so as to provide that a distribution of stock made to an individual (or certain corporations) pursuant to an order enforcing the antitrust laws shall not be treated as a dividend distribution but shall be treated as a return of capital; and to provide that the amount of such a distribution made to a corporation shall be the fair market value of the distribution.*

Beta-Ray Spectrometer (Free Entry) and Disaster Losses: Tax Treatment

P.L. 87-426 [H.R. 641] enacted March 31, 1962

Preamble *To provide for the free entry of an intermediate lens beta-ray spectrometer for the use of Tulane University, New Orleans, Louisiana, and to amend section 165 of the Internal Revenue Code of 1954 with respect to treatment of casualty losses in areas designated by the President as disaster areas.*

Tax Rate Extension Act of 1962

P.L. 87-508 [H.R. 11879] enacted June 28, 1962

Preamble *To provide a one-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes.*

Sugar Act Amendments of 1962

P.L. 535 [H.R. 12154] enacted July 13, 1962

Preamble *To amend and extend the provisions of the Sugar Act of 1948, as amended.*

Taxes, Declaration by Fishermen

P.L. 87-682 [H.R. 6413] enacted September 25, 1962

Preamble *To extend to fishermen the same treatment accorded farmers in relation to estimated income tax.*

Taxes, Operating Loss Carryovers

P.L. 87-710 [H.R. 12526] enacted September 27, 1962

Preamble *To amend section 172 of the Internal Revenue Code of 1954 to provide a seven-year net operating loss carryover for certain regulated transportation corporations.*

Consumer Finance Companies. Personal Holding Company Tax, Exception

P.L. 87-768 [H.R. 8824] enacted October 9, 1962

Preamble *To modify the application of the personal holding company tax in the case of consumer finance companies.*

Duty-Free Entries and Tax Relief. Personal and Household Effects

P.L. 87-790 [H.R. 12180] enacted October 10, 1962

Preamble *To extend for a temporary period the existing provisions of law relating to the free importation of personal and household effects brought into the United States under Government orders, and for other purposes.*

Self-Employed Individuals Tax Retirement Act of 1962

P.L. 87-792 [H.R. 10] enacted October 10, 1962

Preamble *To encourage the establishment of voluntary pension plans by self-employed individuals.*

Trade Expansion Act of 1962

P.L. 87-794 [H.R. 11970] enacted October 11, 1962

Preamble *To promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes.*

Revenue Act of 1962

P.L. 87-834 [H.R. 10650] enacted October 16, 1962

Preamble *To amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.*

Manufacturers Excise Taxes

P.L. 87-858 [H.R.8952] enacted October 23, 1962

Preamble *To amend the provisions of the Internal Revenue Code of 1954 relating to the conditions under which the special constructive sale price rule is to apply for purposes of certain manufacturers excise taxes and relating to the taxation of life insurance companies, and for other purposes.*

Coconut and Palm Oil, Tax Suspension, Extension

P.L. 87-859 [H.R. 5260] enacted October 23, 1962

Preamble *To continue for an additional three year period the existing suspensions of the tax on the first domestic processing of coconut oil, palm oil, palm-kernel oil, and fatty acids, salts, combinations, or mixtures thereof.*

Taxes, Medical Expense Deductions

P.L. 87-863 [H.R. 10620] enacted October 23, 1962

Preamble *To amend section 213 of the Internal Revenue Code of 1954 to increase the maximum limitations on the amount allowable as a deduction for medical, dental, etc., expenses, and for other purposes.*

Terminal Railroad Corporations, Income Tax

P.L. 87-870 [H.R. 12599] enacted October 23, 1962

Preamble *Relating to the income tax treatment of terminal railroad corporations and their shareholders, and for other purposes.*

Internal Revenue, Retirement Income, Limitations

P.L. 87-876 [H.R. 6371] enacted October 24, 1962

Preamble *To amend the Internal Revenue Code of 1954 with respect to the limitation on retirement income, and with respect to the taxable year for which the deduction for interest paid will be allowable to certain building and loan associations, mutual savings banks, and cooperative banks.*

Eighty-Eighth Congress, First Session

Child Care Expenses, Deduction

P.L. 88-4 [H.R. 2085] enacted April 2, 1963

Preamble *To amend the Internal Revenue Code of 1954 to provide that the deduction for child care expenses shall be available to a wife who has been deserted by and cannot locate her husband on the same basis as a single woman.*

Taxes, Redeemable Ground Rents

P.L. 88-9 [H.R. 1597] enacted April 10, 1963

Preamble *Relating to the tax treatment of redeemable ground rents.*

Silver Bullion, Silver Certificates, and Federal Reserve Notes

Title II—Repeal of Tax on Transfers of Silver Bullion

P.L. 88-36 [H.R. 5389] enacted June 4, 1963

Preamble *To repeal certain legislation relating to the purchase of silver, and for other purposes.*

Tax Rate Extension Act of 1963

P.L. 88-52 [H.R. 6755] enacted June 29, 1963

Preamble *To provide a one-year extension of the existing corporate normal-tax rate and of certain excise-tax rates.*

Treasury Department, Assistant Secretary

P.L. 88-58 [S. 1359] enacted July 8, 1963

Preamble *To provide for an additional Assistant Secretary in the Treasury Department.*

Deductibility of Accrued Vacation Pay

P.L. 88-153 [H.R. 6246] enacted October 17, 1963

Preamble *Relating to the deductibility of accrued vacation pay.*

Eighty-Eighth Congress, Second Session

Revenue Act of 1964

P.L. 88-272 [H.R. 8363] enacted February 26, 1964

Preamble *To amend the Internal Revenue Code of 1954 to reduce individual and corporate income taxes, to make certain structural changes with respect to the income tax, and for other purposes.*

Tobacco Products Tax Exemption

P.L. 88-342 [H.R. 8268] enacted June 30, 1964

Preamble *To prevent double taxation in the case of certain tobacco products exported and returned unchanged to the United States for delivery to a manufacturer's bonded factory.*

Excise Tax Rate Extension Act of 1964

P.L. 88-348 [H.R. 11376] enacted June 30, 1964

Preamble *To provide a one-year extension of certain excise-tax rates, and for other purposes.*

Unrelated Business Taxable Income

P.L. 88-380 [H.R. 6455] enacted July 17, 1964

Preamble *To amend subsection (b) of section 512 of the Internal Revenue Code of 1954 (dealing with unrelated business taxable income).*

Taxes, Collapsible Corporations

P.L. 88-484 [H.R. 7301] enacted August 22, 1964

Preamble *To amend section 341 of the Internal Revenue Code of 1954, relating to collapsible corporations, and to amend section 543(a)(2) of such Code, relating to the inclusion of rents in personal holding company income.*

Distilled Spirits Tax Refund

P.L. 88-539 [H.R. 98] enacted August 31, 1964

Preamble *To amend the Internal Revenue Code of 1954 with respect to exportation of imported distilled spirits, wines, and beer, and with respect to the total contract price of sales of personal property on the installment plan.*

Taxes, Vacation Pay Deductibility

P.L. 88-554 [H.R. 10467] enacted August 31, 1964

Preamble *To continue for a temporary period certain existing rules relating to the deductibility of accrued vacation pay, and for other purposes.*

Interest Equalization Tax Act

P.L. 88-563 [H.R. 8000] enacted September 2, 1964

Preamble *To amend the Internal Revenue Code of 1954 to impose a tax on acquisitions of certain foreign securities in order to equalize costs of longer-term financing in the United States and in markets abroad, and for other purposes.*

Taxes, Installment Obligations

P.L. 88-570 [H.R. 4844] enacted September 2, 1964

Preamble *Relating to the release of liability under bonds filed under section 44(d) of the Internal Revenue Code of 1939 with respect to certain installment obligations transmitted at death, and to amend the Internal Revenue Code of 1954 with respect to certain reacquisitions of real property.*

Taxes, Life Insurance Companies

P.L. 88-571 [H.R. 5739] enacted September 2, 1964

Preamble *To amend the Internal Revenue Code of 1954 to correct certain inequities with respect to the taxation of life insurance companies, and for other purposes.*

Land and Water Conservation Fund Act of 1965**Title II – Motorboat Fuel Tax Provisions**

P.L. 88-578 [H.R. 3846] enacted September 3, 1964

Preamble *To establish a land and water conservation fund to assist the States and Federal agencies in meeting present and future outdoor recreation demands and needs of the American people, and for other purposes.*

Wine, Use of Fruit-Flavored Concentrates

P.L. 88-653 [H.R. 4649] enacted October 13, 1964

Preamble *To amend the Internal Revenue Code of 1954 to authorize the use of certain volatile fruit-flavor concentrates in the cellar treatment of wine, and for other purposes.*

Eighty-Ninth Congress, First Session**Excise Tax Reduction Act of 1965**

P.L. 89-44 [H.R. 8371] enacted June 21, 1965

Preamble *To reduce excise taxes, and for other purposes.*

Social Security Tax Amendments of 1965

(Provided an income tax deduction for health insurance, etc.)

P.L. 89-97 [H.R. 6675] enacted July 30, 1965

Preamble *To provide a hospital insurance program for the aged under the Social Security Act with a supplementary medical benefits program and an expanded program of medical assistance, to increase benefits under the Old-Age, Survivors, and Disability Insurance System, to improve the Federal-State public assistance programs, and for other purposes.*

Interest Equalization Tax Extension Act of 1965

P.L. 89-243 [H.R. 4750] enacted October 9, 1965

Preamble *To provide an extension of the interest equalization tax, and for other purposes.*

Sugar Act Amendments of 1965

P.L. 89-331 [H.R. 11135] enacted November 8, 1965

Preamble *To amend and extend the provisions of the Sugar Act of 1948, as amended.*

Eighty-Ninth Congress, Second Session

Nonprofit Organizations–Tax Exemptions

P.L. 89-352 [H.R. 327] enacted February 2, 1966

Preamble *To amend section 501(c) of the Internal Revenue Code of 1954 to exempt from taxation certain nonprofit corporations and associations operated to provide reserve funds for domestic building and loan associations, and for other purposes.*

U.S. Tax Court Judges–Retirement Pay

P.L. 89-354 [H.R. 8445] enacted February 2, 1966

Preamble *To amend the Internal Revenue Code of 1939 and the Internal Revenue Code of 1954 to change the method of computing the retired pay of judges of the Tax Court of the United States.*

IRC 1939–Amendment

P.L. 89-359 [H.R. 10185] enacted March 7, 1966

Preamble *Amending certain estate tax provisions of the Internal Revenue Code.*

Family Protection Plan–Tax Treatment

P.L. 89-365 [H.R. 10625] enacted March 8, 1966

Preamble *Relating to the tax treatment of certain amounts paid to certain members and former members of the uniform services and to their survivors.*

Tax Adjustment Act of 1966

P.L. 89-368 [H.R. 12752] enacted March 15, 1966

Preamble *To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.*

Foreign Expropriations, Medical Insurance; Enrollment Period

P.L. 89-384 [H.R. 6319] enacted April 8, 1966

Preamble *To amend the Internal Revenue Code of 1954 to provide for treatment of the recovery of losses arising from expropriation, intervention, or confiscation of properties by governments of foreign countries, and to amend title XVIII of the Social Security Act to extend the initial enrollment period for supplementary medical insurance benefits.*

Small Business Corporations–Special Options

P.L. 89-389 [H.R. 9883] enacted April 14, 1966

Preamble *To amend subchapter S of chapter 1 of the Internal Revenue Code of 1954, and for other purposes.*

Renegotiation Act–Extension

P.L. 89-480 [H.R. 13431] enacted June 30, 1966

Preamble *To extend the Renegotiation Act of 1951.*

D.C. Courts: Transfer of Functions

P.L. 89-493 [S. 1611] enacted July 5, 1966

Preamble *To transfer certain functions from the United States District Court for the District of Columbia to the District of Columbia court of General Sessions and to certain other agencies of the municipal government of the District of Columbia, and for other purposes.*

Excise Taxes–On Tires and Tubes

P.L. 89-523 [H.R. 318] enacted August 1, 1966

Preamble *To amend section 4071 of the Internal Revenue Code.*

Income Taxes–Mining Exploration Expenditures

P.L. 89-570 [H.R. 4665] enacted September 12, 1966

Preamble *Relating to the income tax treatment of exploration expenditures in the case of mining.*

Estate Tax

P.L. 89-621 [H.R. 483] enacted October 4, 1966

Preamble *To amend section 2056 of the Internal Revenue Code of 1954 relating to the effect of disclaimers on the allowance of the marital deduction for estate tax purposes, and for other purposes.*

Accrued Vacation Pay

P.L. 89-692 [H.R. 16774] enacted October 15, 1966

Preamble *To continue for a temporary period certain existing rules relating to the deductibility of accrued vacation pay.*

Taxes–Direct Filing of Returns

P.L. 89-713 [H.R. 6958] enacted November 2, 1966

Preamble *To amend the Internal Revenue Code of 1954 to promote savings under the Internal Revenue Service's automatic data processing system.*

Federal Tax Lien Act of 1966

P.L. 89-719 [H.R. 11256] enacted November 2, 1966

Preamble *To amend the Internal Revenue Code of 1954 with respect to the priority and effect of Federal tax liens and levies, and for other purposes.*

Interest on Refunds

P.L. 89-721 [H.R. 11660] enacted November 2, 1966

Preamble *Relating to interest on income tax refunds made within 45 days after the filing of the tax return, and for other purposes.*

Reserve for Certain Guaranteed Debt Obligations

P.L. 89-722 [H.R. 11782] enacted November 2, 1966

Preamble *To amend the Internal Revenue Code of 1954 to allow a deduction for additions to a reserve for certain guaranteed debt obligations, and for other purposes.*

Combat Pay Exclusion: Increase

P.L. 89-739 [H.R. 17271] enacted November 2, 1966

Preamble *To amend section 112 of the Internal Revenue Code of 1954 to increase from \$200 to \$500 the monthly combat pay exclusion for commissioned officers serving in combat zones.*

Narcotic Addict Rehabilitation Act of 1966

P.L. 89-793 [H.R. 9167] enacted November 8, 1966

Preamble *To amend title 18 of the United States Code to enable the courts to deal more effectively with the problem of narcotic addiction, and for other purposes.*

Depreciable Property, Investment Credit Suspension

P.L. 89-800 [H.R. 17607] enacted November 8, 1966

Preamble *To suspend the investment credit and the allowance of accelerated depreciation in the case of certain real property.*

Foreign Investors Tax Act of 1966; Presidential Election Campaign Fund Act of 1966

P.L. 89-809 [H.R.13103] enacted November 13, 1966

Preamble *To provide equitable tax treatment for foreign investment in the United States, to establish a Presidential Election Campaign Fund to assist in financing the costs of presidential election campaigns, and for other purposes.*

Ninetieth Congress, First Session

Investment Credit Restoration and Allowance of Accelerated Depreciation

P.L. 90-26 [H.R. 6950] enacted June 13, 1967

Preamble *To restore the investment credit and the allowance of accelerated depreciation in the case of certain real property.*

Interest Equalization Tax; Extension Act of 1967

P.L. 90-59 [H.R. 6098] enacted July 31, 1967

Preamble *To provide an extension of the interest equalization tax, and for other purposes.*

Taxes, Wine Unfit for Beverage Use—Tax Free Withdrawal

P.L. 90-73 [H.R. 1282] enacted August 29, 1967

Preamble *To provide for the withdrawal of wine from bonded wine cellars without payment of tax when rendered unfit for beverage use, and for other purposes.*

Exemptions for Children of Divorced Parents

P.L. 90-78 [H.R. 6056] enacted August 31, 1967

Preamble *To amend the Internal Revenue Code of 1954 to provide rules relating to the deduction for personal exemptions for children of parents who are divorced or separated.*

Bank Holding Company Distributions

P.L. 90-225 [H.R. 4765] enacted December 27, 1967

Preamble *To amend the Internal Revenue Code of 1954 with respect to the income tax treatment of certain distributions pursuant to the Bank Holding Company Act of 1956, as amended, and for other purposes.*

Armed Forces—Gifts by Members in Combat Zones and Duty-Free Entry

P.L. 90-240 [H.R. 1141] enacted January 2, 1968

Preamble *To continue the duty-free status of certain gifts by members of the Armed Forces serving in combat zones, and for other purposes.*

Ninetieth Congress, Second Session

Excise Taxes—Extension

P.L. 90-285 [H.J. Res. 1223] enacted April 12, 1968

Preamble *To continue for a temporary period the 7 percent excise tax rate on automobiles and the 10 percent excise tax rate on communication services.*

Political Advertising in National Convention Program—Income Tax Deduction

P.L. 90-346 [H.R. 17325] enacted June 18, 1968

Preamble *To amend the Internal Revenue Code of 1954 with respect to advertising in a convention program of a national political convention.*

Revenue and Expenditure Control Act of 1968

P.L. 90-364 [H.R. 15414] enacted June 28, 1968

Preamble *To increase revenues, to limit expenditures and new obligational authority, and for other purposes.*

Self-Employed Individuals—Pension Plans

P.L. 90-607 [H.R. 18253] enacted October 21, 1968

Preamble *Relating to the effective date of the 1966 change in the definition of earned income for purposes of pension plans of self-employed individuals.*

Gun Control Act of 1968

Title II—Machine Guns, Destructive Devices, and Certain Other Firearms

P.L. 90-618 [H.R. 17735] enacted October 22, 1968

Preamble *To amend title 18, United States Code, to provide for better control of the interstate traffic in firearms.*

Taxes–Wine Spirits

P.L. 90-619 [H.R. 14095] enacted October 22, 1968

Preamble *To amend the Internal Revenue Code of 1954 so as to make certain changes to facilitate the production of wine, and for other purposes.*

Taxes–Corporations–Statutory Mergers

P.L. 90-621 [H.R. 18942] enacted October 22, 1968

Preamble *Relating to the income tax treatment of certain statutory mergers of corporations.*

Taxes–Global Communications Satellite System–Tax Exemption

P.L. 90-622 [H.R. 18486] enacted October 22, 1968

Preamble *To amend the Internal Revenue Code of 1954 with respect to the treatment of income from the operation of a communications satellite system.*

Taxes–Definition of Compensation

P.L. 90-624 [H.R. 7567] enacted October 22, 1968

Preamble *To amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes.*

Taxes–Distilled Spirits

P.L. 90-630 [H.R. 11394] enacted October 22, 1968

Preamble *To amend certain provisions of the Internal Revenue Code of 1954 relating to distilled spirits, and for other purposes.*

Industrial Development Bonds; Exemption for Certain Small Issues

P.L. 90-634 [H.R. 17324] enacted October 24, 1968

Preamble *To extend and amend the Renegotiation Act of 1951, and for other purposes.*

Ninety-First Congress, First Session**Income Withholding Rates Extension**

P.L. 91-36 [H.R. 4229] enacted June 30, 1969

Preamble *To continue for a temporary period the existing suspension of duty on heptanoic acid, and to continue for one month the existing rates of withholding of income tax.*

Interest Equalization Tax–Extension

P.L. 91-50 [H.R. 13079] enacted August 2, 1969

Preamble *To continue for a temporary period the existing interest equalization tax.*

Federal Unemployment Tax; Employment Security Administration Account; Income Tax Surcharge

P.L. 91-53 [H.R. 9951] enacted August 7, 1969

Preamble *To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.*

Istle: Duty Suspension & Interest Equalization Tax: Extension

P.L. 91-65 [H.R. 10107] enacted August 25, 1969

Preamble *To continue for a temporary period the existing suspension of duty on certain istle and the existing interest equalization tax.*

Interest Equalization Tax Extension Act of 1969

P.L. 91-128 [H.R. 12829] enacted November 26, 1969

Preamble *To provide an extension of the interest equalization tax, and for other purposes.*

Tax Reform Act of 1969

P.L. 91-172 [H.R. 13270] enacted December 30, 1969

Preamble *To reform the income tax laws.*

Ninety-First Congress, Second Session

Treatment of Certain Individuals as Serving in Combat Zone

P.L. 91-235 [H.R. 8654] enacted April 24, 1970

Preamble *To provide that, for purposes of the Internal Revenue Code of 1954, individuals who were illegally detained during 1968 by the Democratic People's Republic of Korea shall be treated as serving in a combat zone.*

Airport and Airway Development Act of 1970

P.L. 91-258 [H.R. 14465] enacted May 21, 1970

Preamble *To provide for the expansion and improvement of the Nation's airport and airway system, for the imposition of airport and airway user charges, and for other purposes.*

Ute Tribes: Judgement Funds, Disposition

P.L. 91-420 [S. 3997] enacted September 25, 1970

Preamble *To provide for the disposition of funds appropriated to pay a judgment in favor of the Confederated Bands of Ute Indians in Court of Claims case 47567, and a judgement in favor of the Ute Tribe of the Uintah and Ouray Reservation for and on behalf of the Uncompahgre Band of Ute Indians in Indian Claims Commission docket numbered 349, and for other purposes.*

Federal-Aid Highway Act of 1970

Title III—Extension of Highway Trust Fund and Certain Related Provisions

P.L. 91-605 [H.R. 19504] enacted December 31, 1970

Preamble *To authorize appropriations for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes.*

Excise, Estate, and Gift Tax Adjustment Act of 1970

P.L. 91-614 [H.R. 16199] enacted December 31, 1970

Preamble *To establish a working capital fund for the Department of the Treasury; to amend the Internal Revenue Code of 1954 to accelerate the collection of estate and gift taxes to continue excise taxes on passenger automobiles and communications services; and for other purposes.*

Cemetery Corporations—Income Tax Exemption

P.L. 91-618 [H.R. 16506] enacted December 31, 1970

Preamble *To amend the Internal Revenue Code of 1954 to clarify the applicability of the exemption from income taxation of cemetery corporations.*

Taxes—Floor Stock Refunds—Claims—Filing Extension

P.L. 91-642 [H.R. 17473] enacted December 31, 1970

Preamble *To extend the period for filing certain manufacturers claims for floor stocks refunds under section 209(b) of the Excise Tax Reduction Act of 1965, and for other purposes.*

Distilled Spirits Taxes

P.L. 91-659 [H.R. 10517] enacted January 8, 1971

Preamble *To amend certain provisions of the Internal Revenue Code of 1954 relating to distilled spirits, and for other purposes.*

Beer Taxes

P.L. 91-673 [H.R. 6562] enacted January 12, 1971

Preamble *To amend certain provisions of the Internal Revenue Code of 1954 relating to beer, and for other purposes.*

Tax Reform Act of 1969—Amendment

P.L. 91-675 [H.R. 17984] enacted January 12, 1971

Preamble *To amend section 905 of the Tax Reform Act of 1969.*

Taxes for Leased Aircraft—Investment Credit Recapture

P.L. 91-676 [H.R. 17988] enacted January 12, 1971

Preamble *To amend section 47 of the Internal Revenue Code of 1954 to allow aircraft to be leased for temporary use outside the United States without a recapture of the investment credit.*

Taxes—Expropriation of Property by Cuba; Property Losses

P.L. 91-677 [H.R. 18693] enacted January 12, 1971

Preamble *To amend provisions of the Internal Revenue Code of 1954 relating to the treatment of certain losses sustained by reason of the confiscation of property by the government of Cuba.*

Cement Mixers Floor Stock Refunds

P.L. 91-678 [H.R. 17658] enacted January 12, 1971

Preamble *To provide floor stock refunds in the case of cement mixers.*

Joint Returns—Liability

P.L. 91-679 [H.R. 19774] enacted January 12, 1971

Preamble *To amend the Internal Revenue Code of 1954 to provide that in certain cases a spouse will be relieved of liability arising from a joint income tax return.*

Almond Grove Capital Expenditures

P.L. 91-680 [H.R. 19242] enacted January 12, 1971

Preamble *To amend section 278 of the Internal Revenue Code of 1954 to extend its application from citrus groves to almond groves.*

Foreign Corporations; Recognition of Gains on Exchanges

P.L. 91-681 [H.R. 19686] enacted January 12, 1971

Preamble *To amend section 367 of the Internal Revenue Code of 1954.*

Small Business Corporations; Passive Investment Income

P.L. 91-683 [H.R. 19627] enacted January 12, 1971

Preamble *To amend section 1372 of the Internal Revenue Code of 1954, relating to passive investment income.*

Foreign Corporations—Foreign Tax Credit

P.L. 91-684 [H.R. 18549] enacted January 12, 1971

Preamble *To amend sections 902(b) and 902(c) of the Internal Revenue Code of 1954 to reduce the 50-percent requirement to 10 percent between first and second levels and to include third-level foreign corporations in the tax credit structure if the 10-percent test is met.*

Real Property Sales by Corporations

P.L. 91-686 [H.R. 19790] enacted January 12, 1971

Preamble *Relating to the income tax treatment of certain sales of real property by a corporation.*

Losses on Worthless Securities

P.L. 91-687 [H.R. 19369] enacted January 12, 1971

Preamble *To amend section 165(g) of the Internal Revenue Code of 1954 which provides for treatment of losses on worthless securities.*

Tax Returns of Life Insurance Companies

P.L. 91-688 [H.R. 19881] enacted January 12, 1971

Preamble *Relating to consolidated returns of life insurance companies, and for other purposes.*

Union-Negotiated Pension Plans—Qualification Period

P.L. 91-691 [H.R. 17917] enacted January 12, 1971

Preamble *To amend the Internal Revenue Code of 1954 with respect to the period of qualification of certain union-negotiated pension plans.*

Corporations—Statutory Mergers

P.L. 91-693 [H.R. 19562] enacted January 12, 1971

Preamble *To amend the Internal Revenue Code of 1954 with respect to certain statutory mergers.*

Ninety-Second Congress, First Session**Interest Equalization Tax Extension Act of 1971**

P.L. 92-9 [H.R. 5432] enacted April 1, 1971

Preamble *To provide an extension of the interest equalization tax, and for other purposes.*

Renegotiation Act of 1951, Amendments; U.S. Tax Court Judges

P.L. 92-41 [H.R. 8311] enacted July 1, 1971

Preamble *To amend the Renegotiation Act of 1951 to extend the Act for two years, to modify the interest rate on excessive profits and on refunds, to provide that the Court of claims shall have jurisdiction of renegotiation cases, and for other purposes.*

Revenue Act of 1971

P.L. 92-178 [H.R. 10947] enacted December 10, 1971

Preamble *To provide a job development investment credit, to reduce individual income taxes, to reduce certain excise taxes, and for other purposes.*

Ninety-Second Congress, Second Session**Prisoners of War, Vietnam Conflict; Income Tax Exclusion**

P.L. 92-279 [H.R. 9900] enacted April 26, 1972

Preamble *To amend section 112 of the Internal Revenue Code of 1954 to exclude from gross income the entire amount of the compensation of members of the Armed Forces of the United States and of civilian employees who are prisoners of war, missing in action, or in a detained status during the Vietnam conflict.*

Treasury Department Positions, Establishment

P.L. 92-302 [H.R. 13334] enacted May 18, 1972

Preamble *To establish certain positions in the Department of the Treasury, to fix the compensation for those positions, and for other purposes.*

Federal Personnel Surety Bonds: Elimination

P.L. 92-310 [H.R. 13150] enacted June 6, 1972

Preamble *To provide that the Federal Government shall assume the risks of its fidelity losses, and for other purposes.*

Veterans' Organizations, Tax Exempt Status

P.L. 92-418 [H.R. 11185] enacted August 29, 1972

Preamble *To amend the Internal Revenue Code of 1954 with regard to the exempt status of veterans' organizations, and for other purposes.*

Revenue Sharing Act of 1972

P.L. 92-512 [H.R. 14370] enacted October 20, 1972

Preamble *To provide fiscal assistance to State and local governments, to authorize Federal collection of State individual income taxes, and for other purposes.*

Wildlife Restoration Fund; Bows and Arrows, Tax

P.L. 92-558 [H.R. 11091] enacted October 25, 1972

Preamble *To provide additional funds for certain wildlife restoration projects, and for other purposes.*

Taxes, American Samoans

P.L. 92-580 [H.R. 1467] enacted October 27, 1972

Preamble *To amend the Internal Revenue Code of 1954 with respect to personal exemptions in the case of American Samoans, and for other purposes.*

Coordination of United States and Guam Individual Income Taxes

P.L. 92-606 [H.R. 14628] enacted October 31, 1972

Preamble *To amend the Internal Revenue Code of 1954 with respect to the tax laws applicable to Guam, and for other purposes.*

Ninety-Third Congress, First Session**Interest Equalization Tax Extension Act of 1973**

P.L. 93-17 [H.R. 3577] enacted April 10, 1973

Preamble *To provide an extension of the interest equalization tax, and for other purposes.*

Presidential Election Campaign Fund

P.L. 93-53 [H.R. 8410] enacted July 1, 1973

Preamble *To continue the existing temporary increase in the public debt limit through November 30, 1973, and for other purposes.*

Renegotiation Act of 1951, and Social Security Act, Amendments

P.L. 93-66 [H.R. 7445] enacted July 9, 1973

Preamble *To extend the Renegotiation Act of 1951 for one year, and for other purposes.*

Ninety-Third Congress, Second Session

Copying Shoe Lathes. Duty Suspension, Extension

P.L. 93-310 [H.R. 8215] enacted June 8, 1974

Preamble *To provide for the suspension of duty on certain copying shoe lathes until the close of June 30, 1976, and for other purposes.*

Wildlife Restoration Projects Funds Extension

P.L. 93-313 [H.R. 10972] enacted June 8, 1974

Preamble *To delay for six months the taking effect of certain measures to provide additional funds for certain wildlife restoration projects.*

Renegotiation Act of 1951 Extension

P.L. 93-329 [H.R. 14833] enacted June 30, 1974

Preamble *To extend the Renegotiation Act of 1951 for eighteen months.*

Employee Retirement Income Security Act of 1974

P.L. 93-406 [H.R. 2] enacted September 2, 1974

Preamble *An Act to provide for pension reform.*

Presidential Election Campaign Fund

P.L. 93-443 [S. 3044] enacted October 15, 1974

Preamble *To impose overall limitations on campaign expenditures and political contributions; to provide that each candidate for Federal office shall designate a principal campaign committee; to provide for a single reporting responsibility with respect to receipts and expenditures by certain political committees; to change the times for the filing of reports regarding campaign expenditures and political contributions; to provide for public financing of Presidential nominating conventions and Presidential primary elections; and for other purposes.*

Crude Feathers and Downs, Duty Rate; Personal Holding Company, Income Exclusion; Health Insurance for the Aged

P.L. 93-480 [H.R. 11452] enacted October 26, 1974

Preamble *To correct an anomaly in the rate of duty applicable to crude feathers and downs, and for other purposes.*

Corporations, Qualified Export Assets; Expenditures of Low Income Rental Housing Rehabilitation

P.L. 93-482 [H.R. 11251] enacted October 26, 1974

Preamble *To amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as fuel, and for other purposes.*

Carboxymethyl Cellulose Salts, Duty Suspension; Internal Revenue Code of 1954, Amendments

P.L. 93-483 [H.R. 12035] enacted October 26, 1974

Preamble *To suspend until the close of June 30, 1975, the duty on certain carboxymethyl cellulose salts, and for other purposes.*

Certain Bicycle Parts and Accessories, Duty Suspension; Internal Revenue Code of 1954, Amendments

P.L. 93-490 [H.R. 6642] enacted October 26, 1974

Preamble *To suspend the duties on certain bicycle parts and accessories until the close of December 31, 1976, and for other purposes.*

Percentage Depletion and Wagering Tax Amendments

P.L. 93-499 [H.R. 7780] enacted October 29, 1974

Preamble *To extend for an additional temporary period the existing suspension of duties on certain classifications of yarns of silk, and for other purposes.*

Tax Treatment of Servicemen, Prisoners of War, Etc.

P.L. 93-597 [H.R. 8214] enacted January 2, 1975

Preamble *To modify the tax treatment of members of the Armed Forces of the United States and civilian employees who are prisoners of war or missing in action, and for other purposes.*

Amortization Extension; Accrued Vacation Pay; Class Life System for Realty; Real Estate Investment Trusts; Interest on Tax Deficiencies; Student Loan Funding; Exclusion of Interest by Non-Resident Aliens; Interest Equalization Tax; Tax Treatment of Political Organizations

P.L. 93-625 [H.R. 421] enacted January 3, 1975

Preamble *To amend the Tariff Schedules of the United States to permit the importation of upholstery regulators, upholsterer's regulating needles, and upholsterer's pins free of duty.*

Ninety-Fourth Congress, First Session

Tax Reduction Act of 1975

P.L. 94-12 [H.R. 2166] enacted February 18, 1975

Preamble *An Act to amend the Internal Revenue Code of 1954 to provide for a refund of 1974 individual income taxes, to increase the low income allowance and the percentage standard deduction, to provide a credit for personal exemptions and a credit for certain earned income, to increase the investment credit and the surtax exemption, to reduce percentage depletion for oil and gas, and for other purposes.*

Emergency Compensation and Special Unemployment Assistance Extension Act of 1975

P.L. 94-45 [H.R. 6900] enacted June 30, 1975

Preamble *To provide an additional thirteen weeks of benefits under the emergency unemployment compensation program and the special unemployment assistance program, to extend the special unemployment assistance program for one year, and for other purposes.*

Indians–Klamath Tribe, Gains from Condemnation of Certain Forest Lands–Tax Exclusion

P.L. 94-81 [H.R. 83] enacted August 9, 1975

Preamble *To exclude from gross income gains from the condemnation of certain forest lands held in trust for the Klamath Indian Tribe.*

Revenue Adjustment Act of 1975

P.L. 94-164 [H.R. 9968] enacted December 23, 1975

Preamble *An Act to change certain income tax provisions of the Internal Revenue Code of 1954, and for other purposes.*

Ninety-Fourth Congress, Second Session

New York–Public Employee Retirement Systems

P.L. 94-236 [H.R. 11700] enacted March 19, 1976

Preamble *Relating to the application of certain provisions of the Internal Revenue Code of 1954 to specified transactions by certain public employee retirement systems created by the State of New York or any of its political subdivisions.*

Tax Treatment of ConRail Exchanges

P.L. 94-253 [H.R. 12490] enacted March 31, 1976

Preamble *To provide tax treatment for exchanges under the final system plan for ConRail.*

Employee Retirement Plans; Rollover of Distributions

P.L. 94-267 [H.R. 12725] enacted April 15, 1976

Preamble *To amend the Internal Revenue Code of 1954 to permit tax-free rollovers of distributions from employee retirement plans in the event of plan termination.*

Federal-Aid Highway Act of 1976

Title III–Extension of Highway Trust Fund and Certain Related Provisions

P.L. 94-280 [H.R. 8235] enacted May 5, 1976

Preamble *To authorize appropriations for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes.*

Federal Election Campaign Act Amendments of 1976

P.L. 94-283 [S. 3065] enacted May 11, 1976

Preamble *To amend the Federal Election Campaign Act of 1971 to provide that members of the Federal Election Commission shall be appointed by the President, by and with the advice and consent of the Senate, and for other purposes.*

Life Insurance Companies–Policyholders Surplus Amount

P.L. 94-331 [H.R. 10051] enacted June 30, 1976

Preamble *To amend section 815 of the Internal Revenue Code to allow a life insurance company to disregard (for purposes of that section) a distribution during the last month of its taxable year, determined to have been made out of the policyholders surplus account, if such distribution is returned to the company not later than the due date for filing its income tax return (including extensions thereof) for that year, and for other purposes.*

Airport and Airway Development Act Amendments of 1976

P.L. 94-353 [H.R. 9771] enacted July 12, 1976

Preamble *To amend the Airport and Airway Development Act of 1970.*

Taxes–Certain Option Income of Exempt Organizations

P.L. 94-396 [H.R. 3052] enacted September 3, 1976

Preamble *To amend section 512(b)(5) of the Internal Revenue Code of 1954 with respect to the tax treatment of the gain on the lapse of options to buy or sell securities.*

Social Security Act, Amendments

P.L. 94-401 [H.R. 12455] enacted September 7, 1976

Preamble *To amend title XX of the Social Security Act so as to permit greater latitude by the States in establishing criteria regarding eligibility for social services, to facilitate and encourage the implementation by States of child day care services programs conducted pursuant to such title, to promote the employment of welfare recipients in the provision of child day care services, and for other purposes.*

Taxes–Common Trust Funds–Treatment of Affiliated Banks

P.L. 94-414 [H.R. 5071] enacted September 17, 1976

Preamble *To amend section 584 of the Internal Revenue Code of 1954 with respect to the treatment of affiliated banks for purposes of the common trust fund provisions of such Code.*

Bank Holding Company Tax Act of 1976

P.L. 94-452 [H.R. 11997] enacted October 2, 1976

Preamble *To amend the Internal Revenue Code of 1954 with respect to the tax treatment of certain divestitures of assets by bank holding companies.*

Tax Reform Act of 1976

P.L. 94-455 [H.R. 10612] enacted October 4, 1976

Preamble *An Act to reform the tax laws of the United States.*

Taxes—Interest Deduction on Certain Corporate Indebtedness

P.L. 94-514 [H.R. 7929] enacted October 15, 1976

Preamble *Relating to the deduction of interest on certain corporate indebtedness to acquire stock or assets of another corporation.*

Taxes—Cemetery Perpetual Care Funds

P.L. 94-528 [H.R. 1142] enacted October 17, 1976

Preamble *To amend the Internal Revenue Code of 1954 to provide for a distribution deduction for certain cemetery perpetual care fund, to modify the effective dates of certain provision of the Tax Reform Act of 1976, and for other purposes.*

Beer—Small Business Tax Reduction

P.L. 94-529 [H.R. 3605] enacted October 17, 1976

Preamble *To amend section 5051 of the Internal Revenue Code of 1954 (relating to the Federal excise tax on beer).*

Taxes—Certain Aircraft Museums—Fuel Tax Exemptions

P.L. 94-530 [H.R. 10101] enacted October 17, 1976

Preamble *To amend the Internal Revenue Code of 1954 to exempt certain aircraft museums from Federal fuel taxes and the Federal tax on the use of civil aircraft, and for other purposes.*

Title 17, USC, Copyrights

P.L. 94-553 [S. 22] enacted October 19, 1976

Preamble *For the general revision of the Copyright Law, title 17 of the United States Code, and for other purposes.*

Taxes—Exempt Organizations

P.L. 94-568 [H.R. 1144] enacted October 20, 1976

Preamble *To amend the Internal Revenue Code of 1954 with respect to the tax treatment of social clubs and certain other membership organizations, to provide for a study of tax incentives for recycling, and for other purposes.*

Taxes—Distilled Spirits—Use of Stamps on Containers

P.L. 94-569 [H.R. 7228] enacted October 20, 1976

Preamble *To amend the Internal Revenue Code of 1954 to permit the authorization of means other than stamp on containers of distilled spirits as evidence of tax payment, to provide an extension of certain provisions relating to members of the Armed Forces missing in action, and for other purposes.*

Ninety-Fifth Congress, First Session**Tax Reduction and Simplification Act of 1977**

P.L. 95-30 [H.R. 3477] enacted May 23, 1977

Preamble *An Act to reduce individual and business income taxes and to provide tax simplification and reform.*

Secretary of the Treasury. Public Moneys, Investment Authority

P.L. 95-147 [H.R. 5675] enacted October 28, 1977

Preamble *To authorize the Secretary of the Treasury to invest public moneys, and for other purposes.*

Social Security Act—Amendments

P.L. 95-171 [H.R. 3387] enacted November 12, 1977

Preamble *To extend certain Social Security Act provisions, and for other purposes.*

Certain Silk Yards Duty Suspension Extension—Internal Revenue Code of 1954 Amendment to State and Local Taxes Not Included in Determining Amounts Paid for Communications Services

P.L. 95-172 [H.R. 3373] enacted November 12, 1977

Preamble *To extend for an additional temporary period the existing suspension of duties on certain classifications of yarns of silk, and for other purposes.*

Taxes—Distilled Spirits or Wines

P.L. 95-176 [H.R. 4458] enacted November 14, 1977

Preamble *To amend certain provisions of the Internal Revenue Code of 1954 relating to distilled spirits, and for other purposes.*

Social Security Act, Amendment

P.L. 95-210 [H.R. 8422] enacted December 13, 1977

Preamble *To amend titles XVIII and XIX of the Social Security Act to provide payment for rural health clinic services, and for other purposes.*

Employee Retirement Income Security Act of 1974—Amendment

P.L. 95-214 [H.R. 9378] enacted December 19, 1977

Preamble *To amend title IV of the Employee Retirement Income Security Act of 1974 to postpone, for two years, the date on which the corporation first begins paying benefits under terminated multi-employer plans.*

Ninety-Fifth Congress, Second Session**Black Lung Benefits Revenue Act of 1977**

P.L. 95-227 [H.R. 5322] enacted February 10, 1978

Preamble *To impose an excise tax on the sale of coal by the producer, to establish a Black Lung Disability Trust Fund, and for other purposes.*

Black Lung Benefits Reform Act of 1977

P.L. 95-239 [H.R. 4544] enacted March 1, 1978

Preamble *To amend the Federal Coal Mine Health and Safety Act to improve the black lung benefits program established under such Act, and for other purposes.*

Taxes—Certain Crop Payments; State Legislators' Travel Expenses

P.L. 95-258 [H.R. 11055] enacted April 7, 1978

Preamble *Relating to the year for including in income certain payments under the Agricultural Act of 1949 received in 1978 but attributable to 1977, and to extend for one year the existing treatment of State legislators' travel expenses away from home.*

New York City Loan Guarantee Act of 1978

P.L. 95-339 [H.R. 12426] enacted August 8, 1978

Preamble *To authorize the Secretary of the Treasury to provide financial assistance for the city of New York.*

Internal Revenue Code Treatment of Income from Nonmember Telephone Companies

P.L. 95-345 [H.R. 7581] enacted August 15, 1978

Preamble *To amend the Internal Revenue Code of 1954 with respect to the treatment of mutual or cooperative telephone company income from nonmember telephone companies, and for other purposes.*

Taxes—Alcoholic Beverages—Excise Tax Refund—Losses Resulting from Disaster, Vandalism, or Malicious Mischief

P.L. 95-423 [H.R. 1920] enacted October 6, 1978

Preamble *To amend section 5064 of the Internal Revenue Code of 1954 to provide for refund of tax on distilled spirits, wines, rectified products, and beer lost or rendered unmarketable due to fire, flood, casualty, or other disaster, or to breakage, destruction, or other damage (excluding theft) resulting from vandalism or malicious mischief while held for sale.*

Taxes—Regulations on Taxation of Fringe Benefits—Prohibition

P.L. 95-427 [H.R. 12841] enacted October 7, 1978

Preamble *To prohibit the issuance of regulations on the taxation of fringe benefits, and for other purposes.*

Excise Taxes on Trucks, Buses and Tractors; Home Production of Beer and Wine; Aerial Applicators; Rollover of Lump Sum Distributions

P.L. 95-458 [H.R. 1337] enacted October 14, 1978

Preamble *To amend the Internal Revenue Code of 1954 with respect to excise tax on certain trucks, buses, tractors, et cetera, home production of beer and wine, refunds of the taxes on gasoline and special fuels to aerial applicators, and partial rollovers of lump sum distributions.*

U.S. Tax Court—Judges' Retirement Pay

P.L. 95-472 [H.R. 8811] enacted October 17, 1978

Preamble *To amend section 7447 of the Internal Revenue Code of 1954 with respect to the revocation of an election to receive retired pay as a judge of the Tax Court.*

Black Lung Benefit Trusts

P.L. 95-488 [H.R. 13167] enacted October 20, 1978

Preamble *To amend the Internal Revenue Code of 1954 to insure that the deduction for contributions to a black lung benefit trust be allowed for any such contributions which are made for the purpose of satisfying unfunded future liability, and for other purposes.*

Taxes—New York Public Employees Retirement Systems

P.L. 95-497 [H.R. 12051] enacted October 21, 1978

Preamble *Relating to the application of certain provisions of the Internal Revenue Code of 1954 to specified transactions by certain public employee retirement systems created by the State of New York or any of its political subdivisions.*

Internal Revenue Code of 1954—Amendment

Title II—Inland Waterways Revenue Act of 1978

Title III—Proceeds from Bingo Games

P.L. 95-502 [H.R. 8533] enacted October 21, 1978

Preamble *To amend the Internal Revenue Code of 1954 to provide that income from the conducting of certain bingo games by certain tax-exempt organizations will not be subject to tax, and for other purposes.*

Surface Transportation Assistance Act of 1978

Title V—Highway Revenue Act of 1978

P.L. 95-599 [H.R. 11733] enacted November 6, 1978

Preamble *To authorize appropriations for the construction of certain highways in accordance with title 23 of the United States Code, for highway safety, for mass transportation in urban and in rural areas, and for other purposes.*

Revenue Act of 1978

P.L. 95-600 [H.R. 13511] enacted November 6, 1978.

Preamble *An Act to amend the Internal Revenue Code of 1954 to reduce income taxes, and for other purposes.*

Tax Treatment Extension Act of 1977

P.L. 95-615 [H.R. 9251] enacted November 8, 1978

Preamble *To change the tax treatment of income earned abroad by United States citizens and residents, and for other purposes.*

Energy Tax Act of 1978

P.L. 95-618 [H.R. 5263] enacted November 9, 1978

Preamble *An Act to provide tax incentives for the production and conservation of energy, and for other purposes.*

Miscellaneous Timing Requirements

P.L. 95-628 [H.R. 7320] enacted November 10, 1978

Preamble *To revise miscellaneous timing requirements of the revenue laws, and for other purposes.*

Ninety-Sixth Congress, First Session

Distilled Spirits Tax Revision Act of 1979

P.L. 96-39 [H.R. 4537] enacted July 26, 1979

Preamble *To approve and implement the trade agreements negotiated under the Trade Act of 1974, and for other purposes.*

Unemployment Compensation Amendments of 1976, Amendment

P.L. 96-84 [H.R. 3920] enacted October 10, 1979

Preamble *To amend the Unemployment Compensation Amendments of 1976 with respect to the National Commission on Unemployment Compensation, and for other purposes.*

Prohibition of Issuance of Fringe Benefit Regulations

P.L. 96-167 [H.R. 5224] enacted December 29, 1979

Preamble *To continue through May 31, 1981, the existing prohibition on the issuance of fringe benefit regulations, and for other purposes.*

Business Expenses of State Legislators

P.L. 96-178 [H.R. 3091] enacted January 2, 1980

Preamble *To extend for one year the provisions of law relating to the business expenses of State legislators.*

Federal Election Campaign Act Amendments of 1979

P.L. 96-187 [H.R. 5010] enacted January 8, 1980

Preamble *To amend the Federal Election Campaign Act of 1971 to make certain changes in the reporting and disclosure requirements of such Act, and for other purposes.*

Ninety-Sixth Congress, Second Session

Technical Corrections Act of 1979

P.L. 96-222 [H.R. 2797] enacted April 1, 1980

Preamble *An Act to make technical corrections related to the Revenue Act of 1978.*

Crude Oil Windfall Profit Tax Act of 1980

P.L. 96-223 [H.R. 3919] enacted April 2, 1980

Preamble *An Act to impose a windfall profit tax on domestic crude oil, and for other purposes.*

Food Stamp Act Amendments of 1980

P.L. 96-249 [S. 1309] enacted May 26, 1980

Preamble *To amend the Food Stamp Act of 1977 to improve food stamp program fiscal accountability through reductions in inaccurate eligibility and benefit determinations; to improve the system of deductions; to increase the specific dollar limitations on appropriations for the fiscal years 1980 and 1981 food stamp programs; and for other purposes.*

Adoption Assistance and Child Welfare Act of 1980

P.L. 96-272 [H.R. 3434] enacted June 17, 1980

Preamble *An Act to establish a program of adoption assistance, to strengthen the program of foster care assistance for needy and dependent children, to improve the child welfare, social services, and aid to families with dependent children programs, and for other purposes.*

Deep Seabed Hard Mineral Resources Act

P.L. 96-283 [H.R. 2759] enacted June 28, 1980

Preamble *An Act to establish an interim procedure for the orderly development of hard mineral resources in the deep seabed, pending adoption of an international regime relating thereto, and for other purposes.*

Energy Security Act

P.L. 96-294 [S. 932] enacted June 30, 1980

Preamble *To extend the Defense Production Act of 1950, and for other purposes.*

Airport and Airway Trust Fund—Extension of Taxes

P.L. 96-298 [H.R. 7477] enacted July 1, 1980

Preamble *An act to amend the Internal Revenue Code of 1954 to provide a three-month extension of the taxes which are transferred to the Airport and Airway Trust Fund.*

Multi-Employer Pension Plan Amendments Act of 1980

P.L. 96-364 [H.R. 3904] enacted September 26, 1980

Preamble *An Act to amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1954 to improve retirement income security under private multi employer pension plans by strengthening the funding requirements for those plans, to authorize plan preservation measures for financially troubled multi employer pension plans, and to revise the manner in which the pension plan termination insurance provisions apply to multi employer plans, and for other purposes.*

Joint Resolution Providing Continuing Appropriations for the Fiscal Year 1981

P.L. 96-369 [H.J. Res. 610] enacted October 1, 1980

Preamble *Making continuing appropriations for the fiscal year 1981, and for other purposes.*

Customs Courts Act of 1980

P.L. 96-417 [S. 1654] enacted October 10, 1980

Preamble *An Act to improve the Federal judicial machinery by clarifying and revising certain provisions of title 28, United States Code, relating to the judiciary and judicial review of international trade matters, and for other purposes.*

Tax Court–Additional Judges

P.L. 96-439 [H.R. 7779] enacted October 13, 1980

Preamble *An Act to amend the Internal Revenue Code of 1954 to authorize three additional judges for the Tax Court and to remove the age limitation on appointments to the Tax Court.*

Hostage Relief Act of 1980

P.L. 96-449 [H.R. 7085] enacted October 14, 1980

Preamble *To provide certain benefits to individuals held hostage in Iran and to similarly situated individuals, and for other purposes.*

Recreational Boating Safety and Facilities Improvement Act of 1980

P.L. 96-451 [H.R. 4310] enacted October 14, 1980

Preamble *An Act to amend the Federal Boat Safety Act of 1971 to promote recreational boating safety through the development, administration, and financing of a national recreational boating safety improvement program, and for other purposes.*

Installment Sales Revision Act of 1980

P.L. 96-471 [H.R. 6883] enacted October 19, 1980

Preamble *An Act to amend the Internal Revenue Code of 1954 to revise the rules relating to certain installment sales.*

Omnibus Reconciliation Act of 1980

P.L. 96-499 [H.R. 7765] enacted December 5, 1980

Preamble *An Act to provide for reconciliation pursuant to section 3 of the First Concurrent Resolution on the Budget for the fiscal year 1981.*

Comprehensive Environmental Responses, Compensation, and Liability Act of 1980**Title II–Hazardous Substance Response Revenue Act of 1980**

P.L. 96-510 [H.R. 7020] enacted December 11, 1980

Preamble *An Act to provide for liability, compensation, cleanup, and emergency response for hazardous substances released into the environment and the cleanup of inactive hazardous waste disposal sites.*

Temporary Tax Provisions–Extension

P.L. 96-541 [H.R. 6975] enacted December 17, 1980

Preamble *An Act to extend certain temporary tax provisions, and for other purposes.*

Bankruptcy Tax Act of 1980

P.L. 96-589 [H.R. 5043] enacted December 24, 1980

Preamble *An Act to amend the Internal Revenue Code of 1954 to provide for the tax treatment of bankruptcy, insolvency, and similar proceedings, and for other purposes.*

United States Retirement Bonds–Interest Rates

P.L. 96-595 [H.R. 4868] enacted December 24, 1980

Preamble *An Act to amend the Internal Revenue Code of 1954 with respect to net operating loss carryovers of taxpayers who cease to be real estate investment trusts to increase interest rates on certain United States retirement bonds, and for other purposes.*

Determination of Second Tier Taxes

P.L. 96-596 [H.R. 5391] enacted December 24, 1980

Preamble *An Act to amend the Internal Revenue Code of 1954 with respect to the determination of second tier taxes, and for other purposes.*

Internal Revenue Code of 1954–Excise Tax Refunds for Certain Uses

P.L. 96-598 [H.R. 3317] enacted December 24, 1980

Preamble *An Act to amend the Internal Revenue Code of 1954 with respect to excise tax refunds in the case of certain uses of tread rubber, and for other purposes.*

Internal Revenue Code of 1954–Simplification

P.L. 96-601 [H.R. 5505] enacted December 24, 1980

Preamble *An Act to simplify certain provisions of the Internal Revenue Code of 1954, and for other purposes.*

Simplification of Private Foundation Return–Reporting Requirements

P.L. 96-603 [H.R. 4155] enacted December 28, 1980

Preamble *An Act to amend the Internal Revenue Code of 1954 to simplify private foundation return and reporting requirements, and for other purposes.*

Miscellaneous Revenue Act of 1980

P.L. 96-605 [H.R. 7956] enacted December 28, 1980

Preamble *An Act to make various changes in the tax law.*

Taxation–Individual Living Abroad

P.L. 96-608 [H.R. 5973] enacted December 28, 1980

Preamble *An Act to amend the Internal Revenue Code of 1954 to waive in certain cases the residency requirements for the deductions or exclusion of individuals living abroad, to allow the tax-free rollover of certain distributions from money purchase pension plans, and for other purposes.*

Social Security Act, Parental Kidnaping

P.L. 96-611 [H.R. 8406] enacted December 28, 1980

Preamble *An Act to amend title XVIII of the Social Security Act of provide for Medicare coverage of pneumococcal vaccine and its administration.*

Miscellaneous Changes–Tax Laws

P.L. 96-613 [H.R.7171] enacted December 28, 1980

Preamble *An Act to make certain miscellaneous changes in the tax law.*

Ninety-Seventh Congress, First Session

Economic Recovery Tax Act of 1981

P.L. 97-34 [H.R. 4242] enacted August 13, 1981

Preamble *An Act to amend the Internal Revenue Code of 1954 to encourage economic growth through reduction of the tax rates for individual taxpayers, acceleration of capital cost recovery of investment in plant, equipment, and real property, and incentives for savings, and for other purposes.*

Omnibus Budget Reconciliation Act of 1981

P.L. 97-35 [H.R. 3982] enacted August 13, 1981

Preamble *An Act to provide for reconciliation pursuant to section 301 of the first concurrent resolution on the budget for the fiscal year 1982.*

Appropriations—Fiscal Year 1982

P.L. 97-51 [H.J.Res. 325] enacted October 1, 1981

Preamble *Joint Resolution making continuing appropriations for the fiscal year 1982, and for other purposes.*

Appropriations—Fiscal Year 1982

P.L. 97-92 [H.J.Res. 370] enacted December 15, 1981

Preamble *Joint Resolution making further continuing appropriations for the fiscal year 1982, and for other purposes.*

Black Lung Benefits Revenue Act of 1981

P.L. 97-119 [H.R. 5159] enacted December 29, 1981

Preamble *An Act to amend the Internal Revenue Code of 1954 to provide a temporary increase in the tax imposed on producers of coal, and for other purposes.*

Omnibus Reconciliation Act of 1981—Social Security Act Benefits

P.L. 97-123 [H.R. 4331] enacted December 29, 1981

Preamble *An Act to amend the Omnibus Reconciliation Act of 1981 to restore minimum benefits under the Social Security Act.*

Ninety-Seventh Congress, Second Session

Federal Courts Improvements Act of 1982

P.L. 97-164 [H.R. 4482] enacted April 2, 1982

Preamble *An Act to establish a United States Court of Appeals for the Federal Circuit, to establish a United States Claims Court, and for other purposes.*

Urgent Supplemental Appropriations Act of 1982

P.L. 97-216 [H.R. 6685] enacted July 18, 1982

Preamble *An Act making urgent supplemental appropriations for the fiscal year ending September 30, 1982, and for other purposes.*

Tax Equity and Fiscal Responsibility Act of 1982

P.L. 97-248 [H.R. 4961] enacted September 3, 1982

Preamble *An Act to provide for tax equity and fiscal responsibility, and for other purposes.*

Money and Finance. Enactment as Title 31, United States Code

P.L. 97-258 [H.R. 6128] enacted September 13, 1982

Preamble *To revise, codify, and enact without substantive change certain general and permanent laws, related to money and finance, as title 31, United States Code, "Money and Finance."*

Subchapter S Revision Act of 1982

P.L. 97-354 [H.R. 6055] enacted October 19, 1982

Preamble *An Act to revise subchapter S of the Internal Revenue Code of 1954 (relating to small business corporations).*

Miscellaneous Revenue Act of 1982

P.L. 97-362 [H.R. 4717] enacted October 25, 1982

Preamble *An Act to reduce the amount of LIFO recapture in the case of certain plans of liquidation adopted during 1982, to make adjustments in the net operating loss carryback and carryforward rules for the Federal National Mortgage Association, and for other purposes.*

Debt Collection Act of 1982

P.L. 97-365 [H.R. 4613] enacted October 25, 1982

Preamble *An Act to increase the efficiency of Government-wide efforts to collect debts owed the United States and to provide additional procedures for the collection of debts owed the United States.*

Orphan Drug Act

P.L. 97-414 [H.R. 5238] enacted January 4, 1983

Preamble *An Act to amend the Federal Food, Drug, and Cosmetic Act to facilitate the development of drugs for rare diseases and conditions, and for other purposes.*

Surface Transportation Assistance Act of 1982

(Tax portion of act known as **Highway Revenue Act of 1982**)

P.L. 97-424 [H.R. 6211] enacted January 6, 1983

Preamble *An Act to authorize appropriations for construction of certain highways in accordance with title 23, United States Code, for highway safety, for mass transportation in urban and rural areas, and for other purposes.*

Technical Corrections Act of 1982

P.L. 97-448 [H.R. 6056] enacted January 12, 1983

Preamble *An Act to make technical corrections in the Economic Recovery Tax Act of 1981 and certain other recent tax legislation.*

Department of Transportation and Motor Carrier Safety

(Included conforming cross-reference changes to the code.)

P.L. 97-449 [H.R. 6993] enacted January 12, 1983

Preamble *To revise, codify, and enact without substantive change certain general and permanent laws related to transportation as subtitle I and chapter 31 of subtitle II of title 49, United States Code, “Transportation.”*

Virgin Islands Source Income

P.L. 97-455 [H.R. 7093] enacted January 12, 1983

Preamble *An Act to amend the Internal Revenue Code of 1954 to reduce the rate of certain taxes paid to the Virgin Islands on Virgin Islands source income, to amend the Social Security Act to provide for a temporary period that payment of disability benefits may continue through the hearing stage of the appeals process, and for other purposes.*

Periodic Payments Settlement

Also known as the **Miscellaneous Tax and ERISA Provisions**

P.L. 97-473 [H.R. 5470] enacted January 14, 1983

Preamble *An Act to amend the Internal Revenue Code of 1954 with respect to the tax treatment of periodic payments for damages received on account of personal injury or sickness, and for other purposes.*

Ninety-Eighth Congress, First Session

Payment-In-Kind Tax Treatment Act of 1983

P.L. 98-4 [H.R. 1296] enacted March 11, 1983

Preamble *An Act relating to the treatment for income and estate tax purposes of commodities received under 1983 payment-in-kind programs, and for other purposes.*

Social Security Amendments of 1983

P.L. 98-21 [H.R. 1900] enacted April 20, 1983

Preamble *An Act to assure the solvency of the Social Security Trust Funds, to reform the Medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.*

Interest and Dividend Tax Compliance Act of 1983–Caribbean Basin Economic Recovery Act

P.L. 98-67 [H.R. 2973] enacted August 5, 1983

Preamble *An Act to promote economic revitalization and facilitate expansion of economic opportunities in the Caribbean Basin region, to provide for backup withholding of tax from interest and dividends, and for other purposes.*

Railroad Retirement Solvency Act of 1983

Title II— Railroad Retirement Revenue Act of 1983

P.L. 98-76 [H.R. 1646] enacted August 12, 1983

Preamble *An Act to amend the Railroad Retirement Act of 1974 and the Railroad Retirement Tax Act to assure sufficient resources to pay current and future benefits under the Railroad Retirement Act of 1974, to make technical changes, and for other purposes.*

Unemployment and Social Security Benefits, Extensions

P.L. 98-118 [H.R. 4101] enacted October 11, 1983

Preamble *An Act to extend the Federal Supplemental Compensation Act of 1982, and for other purposes.*

Guam, Capital Improvement Projects

P.L. 98-213 [S. 589] enacted December 8, 1983

Preamble *To authorize \$15,500,000 for capital improvement projects on Guam, and for other purposes.*

Ninety-Eighth Congress, Second Session

Money and Finance

P.L. 98-216 [H.R. 2727] enacted February 14, 1984

Preamble *To codify without substantive change recent laws related to money and finance and transportation and to improve the United State Code.*

National Fish and Wildlife Foundation Establishment Act

P.L. 98-244 [H.R. 2809] enacted March 26, 1984

Preamble *To establish a National Fish and Wildlife Foundation.*

Federal Income Tax Forgiveness for Certain U.S. Military and Civilian Employees Killed Overseas

P.L. 98-259 [H.R. 4206] enacted April 10, 1984

Preamble *An Act to amend the Internal Revenue Code of 1954 to exempt from Federal income taxes certain military and civilian employees of the United States dying as a result of injuries sustained overseas.*

Quadrennial Political Party Presidential National Nominating Conventions

P.L. 98-355 [H.R. 5950] enacted July 11, 1984

Preamble *To increase the Federal contribution for the Quadrennial Political Party Presidential National Nominating Conventions.*

Deficit Reduction Act of 1984

Also known as the **Tax Reform Act of 1984**

P.L. 98-369 [H.R. 4170] enacted July 18, 1984

Preamble *An Act to provide for tax reform, and for deficit reduction.*

Child Support Enforcement Amendments of 1984

P.L. 98-378 [H.R. 4325] enacted August 16, 1984

Preamble *An Act to amend part D of title IV of the Social Security Act to assure, through mandatory income withholding, incentive payments to States, and other improvements in the child support enforcement program, that all children in the United States who are in need of assistance in securing financial support from their parents will receive such assistance regardless of their circumstances, and for other purposes.*

Retirement Equity Act of 1984

P.L. 98-397 [H.R. 4280] enacted August 23, 1984

Preamble *An Act to amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1954 to improve the delivery of retirement benefits and provide for greater equity under private pension plans for workers and their spouses and dependents by taking into account changes in work patterns, the status of marriage as an economic partnership, and the substantial contribution to that partnership of spouses who work both in and outside the home, and for other purposes.*

Civil Aeronautics Board Sunset Act of 1984

P.L. 98-443 [H.R. 5297] enacted October 4, 1984

Preamble *To amend the Federal Aviation Act of 1958 to terminate certain functions of the Civil Aeronautics Board, to transfer certain functions of the Board to the Secretary of Transportation, and for other purposes.*

Trade and Tariff Act of 1984

P.L. 98-573 [H.R. 3398] enacted October 30, 1984

Preamble *An Act to amend the trade laws, authorize the negotiation of trade agreements, extend trade preferences, change the tariff treatment with respect to certain articles and for other purposes.*

Education Assistance Programs

P.L. 98-611 [H.R. 2508] enacted October 31, 1984

Preamble *An Act to amend the Internal Revenue Code of 1954 to extend for 2 years the exclusion from gross income with respect to educational assistance programs, and for other purposes.*

Internal Revenue Code, Amendments: Group Legal Services Plans; Fringe Benefits; Imputed Interest

P.L. 98-612 [H.R. 5361] enacted October 31, 1984

Preamble *An Act to amend the Internal Revenue Code of 1954 to extend for one year the exclusion from gross income with respect to group legal services plans, and for other purposes.*

Ninety-Ninth Congress, First Session

Contemporaneous Recordkeeping Requirements, Repeal

P.L. 99-44 [H.R. 1869] enacted May 24, 1985

Preamble *An Act to amend the Internal Revenue Code of 1954 to repeal the contemporaneous recordkeeping requirements added by the Tax Reform Act of 1984, and for other purposes.*

Emergency Extension Act of 1985

P.L. 99-107 [H.R. 3452] enacted September 30, 1985

Preamble *An Act to extend for 45 days the application of tobacco excise taxes, trade adjustment assistance, certain Medicare reimbursement provisions, and borrowing authority under the railroad unemployment insurance program.*

Imputed Interest Rules

P.L. 99-121 [H.R. 2475] enacted October 11, 1985

Preamble *An Act to amend the Internal Revenue Code of 1954 to simplify the imputed interest rules of sections 1274 and 483, and for other purposes.*

Public Debt Limit, Temporary Increase

P.L. 99-155 [H.R. 3721] enacted November 14, 1985

Preamble *An Act to temporarily increase the limit on the public debt and to restore the investments of the Social Security Trust Funds and other trust funds.*

Temporary Extension of Miscellaneous Provisions

P.L. 99-181 [H.R. 3918] enacted December 13, 1985

Preamble *An Act to extend until December 18, 1985, the application of certain tobacco excise taxes, trade adjustment assistance, certain Medicare reimbursement provisions and borrowing authority under the railroad unemployment insurance program.*

Temporary Extension of Certain Tax Authorities

P.L. 99-189 [H.R. 3981] enacted December 18, 1985

Preamble *An Act to extend until December 19, 1985, the application of certain tobacco excise taxes, trade adjustment assistance, certain Medicare reimbursement provisions, and borrowing authority under the railroad unemployment insurance program.*

Temporary Extension of Various Authorities

P.L. 99-201 [H.R. 4006] enacted December 23, 1985

Preamble *An Act to extend until March 15, 1986, the application of certain tobacco excise taxes and certain Medicare reimbursement provisions.*

Ninety-Ninth Congress, Second Session

Consolidated Omnibus Budget Reconciliation Act of 1985

P.L. 99-272 [H.R. 3128] enacted April 7, 1986

Preamble *An Act to provide for reconciliation pursuant to section 2 of the first concurrent resolution on the budget for fiscal year 1986 (S. Con. Res. 32, Ninety-ninth Congress).*

Federal Employees' Retirement System Act of 1986

P.L. 99-335 [H.R. 2672] enacted June 6, 1986

Preamble *To amend title 5, United States Code, to establish a new retirement and disability plan for Federal employees, postal employees, and members of Congress, and for other purposes.*

Congressional Reports Elimination Act of 1986

P.L. 99-386 [S. 992] enacted August 22, 1986

Preamble *To discontinue or amend certain requirements for agency reports to Congress.*

Superfund Amendments and Reauthorization Act of 1986

P.L. 99-499 [H.R. 2005] enacted August 22, 1986

Preamble *An Act to extend and amend the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, and for other purposes.*

Omnibus Budget Reconciliation Act of 1986

P.L. 99-509 [H.R. 5300] enacted October 21, 1986

Preamble *An Act to provide for reconciliation pursuant to section 2 of the concurrent resolution on the budget for fiscal year 1987.*

Tax Reform Act of 1986

P.L. 99-514 [H.R. 3838] enacted October 22, 1986

Preamble *An Act to reform the internal revenue laws of the United States.*

Coast Guard Authorization Act of 1986; Uniformed Services; Maritime Affairs

P.L. 99-640 [H.R. 4208] enacted November 10, 1986

Preamble *To authorize appropriations for the Coast Guard for fiscal year 1987, and for other purposes.*

Trust Territory of the Pacific Islands; Micronesia; Marshall Islands; International Agreements

P.L. 99-658 [H. J. Res. 626] enacted November 14, 1986

Preamble *To approve the "Compact of Free Association" between the United States and the Government of Palau, and for other purposes.*

Water Resources Development Act of 1986
Title XIV—Harbor Maintenance Revenue Act of 1986

P.L. 99-662 [H.R. 6] enacted November 17, 1986

Preamble *An Act to provide for the conservation and development of water and related resources and the improvement and rehabilitation of the Nation's water resources infrastructure.*

One Hundredth Congress, First Session

Surface Transportation & Uniform Relocation Assistance Act of 1987

Title V—Highway Revenue Act of 1987

P.L. 100-17 [H.R. 2] enacted April 2, 1987

Preamble *An Act to authorize funds for construction of highways, for highway safety programs, and for mass transportation programs, to expand and improve the relocation assistance program, and for other purposes.*

Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriation Act, 1988; Department of Commerce Appropriations Act, 1988

P.L. 100-202 [H.J.Res. 395] enacted December 22, 1987

Preamble *Making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1988, and for other purposes.*

Omnibus Budget Reconciliation Act of 1987

P.L. 100-203 [H.R. 3545] enacted December 22, 1987

Preamble *An Act to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for the fiscal year 1988.*

Airport and Airway Safety and Capacity Expansion Act of 1987

P.L. 100-223 [H.R. 2310] enacted December 30, 1987

Preamble *An Act to amend the Airport and Airway Improvement Act of 1982 for the purpose of extending the authorization of appropriations for airport and airway improvements, and for other purposes.*

One Hundredth Congress, Second Session

Medicare Catastrophic Coverage Act of 1988

P.L. 100-360 [H.R. 2470] enacted July 1, 1988

Preamble *An Act to amend title XVIII of the Social Security Act to provide protection against catastrophic medical expenses under the Medicare program, and for other purposes.*

Omnibus Trade and Competitiveness Act of 1988

P.L. 100-418 [H.R. 4848] enacted August 23, 1988

Preamble *An Act to enhance the competitiveness of American industry, and for other purposes.*

Coast Guard Authorization Act of 1988; Maritime Affairs

P.L. 100-448 [H.R. 2342] enacted September 28, 1988

Preamble *To authorize appropriations for the Coast Guard for fiscal year 1988, and for other purposes.*

Family Support Act of 1988

P.L. 100-485 [H.R. 1720] enacted October 13, 1988

Preamble *An Act to revise the AFDC program to emphasize work, child support, and family benefits, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives.*

Technical and Miscellaneous Revenue Act of 1988

P.L. 100-647 [H.R. 4333] enacted November 10, 1988

Preamble *An Act to make technical corrections relating to the Tax Reform Act of 1986, and for other purposes.*

Anti Drug Abuse Act of 1988

P.L. 100-690 [H.R. 5210] enacted November 18, 1988

Preamble *An Act to prevent the manufacturing, distribution, and use of illegal drugs, and for other purposes.*

Disaster Relief and Emergency Assistance Amendments of 1988

P.L. 100-707 [H.R. 2707] enacted November 23, 1988.

Preamble *An Act to amend the Disaster Relief Act of 1974 to provide for more effective assistance in response to major disasters and emergencies, and for other purposes.*

One-Hundred First Congress, First Session

Financial Institutions Reform, Recovery, & Enforcement Act of 1989

P.L. 101-73 [H.R. 1278] enacted August 9, 1989

Preamble *An Act to reform, recapitalize, and consolidate the Federal deposit insurance system, to enhance the regulatory and enforcement powers of Federal financial institutions regulatory agencies, and for other purposes.*

Increase in the Public Debt Limit

P.L. 101-140 [H.J. Res. 280] enacted November 8, 1989

Preamble *Joint Resolution increasing the statutory limit on the public debt.*

Ethics Reform Act of 1989

P.L. 101-194 [H.R. 3660] enacted November 30, 1989

Preamble *To amend the Rules of the House of Representatives and the Ethics in Government Act of 1978 to provide for Government-wide ethics reform, and for other purposes.*

Steel Trade Liberalization Program Implementation Act

P.L. 101-221 [H.R. 3275] enacted December 12, 1989

Preamble *To implement the steel trade liberalization program.*

Medicare Catastrophic Coverage Repeal Act of 1989

P.L. 101-234 [H.R. 3607] enacted December 13, 1989

Preamble *An Act to repeal Medicare provisions in the Medicare Catastrophic Coverage Act of 1988.*

One Hundred First Congress, Second Session**Omnibus Budget Reconciliation Act of 1989**

P.L. 101-239 [H.R. 3299] enacted December 19, 1989

Preamble *An Act to provide for reconciliation pursuant to section 5 of the concurrent resolution on the budget for fiscal year 1990.*

Government Organization and Employees

P.L. 101-280 [H.J. Res. 553] enacted May 4, 1990

Preamble *To make technical changes in the Ethics Reform Act of 1989.*

Oil Pollution Act of 1990

P.L. 101-380 [H.R. 1465] August 20, 1990

Preamble *To establish limitation on liability for damages resulting from oil pollution, to establish a fund for the payment of compensation for such damages, and for other purposes.*

Omnibus Budget Reconciliation Act of 1990

P.L. 101-508 [H.R. 5835] enacted November 5, 1990

Preamble *An Act to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for fiscal year 1991.*

Food, Agriculture, Conservation, and Trade Act of 1990

P.L. 101-624 [S/ 2830] enacted November 28, 1990

Preamble *To extend and revise agricultural price support and related programs, to provide for agricultural export, resource conservation, farm credit, and agricultural research and related programs, to ensure consumers an abundance of food and fiber at reasonable prices, and for other purposes.*

Crime Control Act of 1990

P.L. 101-647 [S. 3266] enacted November 29, 1990

Preamble *An Act to control crime.*

Immigration Act of 1990

P.L. 101-649 [S. 358] enacted November 29, 1990

Preamble *To amend the Immigration and Nationality Act to change the level, and preference system for admission, of immigrants to the United States, and to provide for administrative naturalization, and for other purposes.*

One Hundred Second Congress, First Session**Taxation: Time Extension for Individuals in Desert Shield Operations**

P.L. 102-2 [H.R. 4] enacted January 30, 1991

Preamble *An Act to extend the time for performing certain acts under the internal revenue laws for individuals performing services as part of the Desert Shield Operation.*

Department of Veterans Affairs Health-Care Personnel Act of 1991

P.L. 102-40 [H.R. 598] enacted May 7, 1991

Preamble *An Act to amend title 38, United States Code, to improve the capability of the Department of Veterans Affairs to recruit and retain physicians and dentists through increases in special pay authorities, to authorize collective bargaining over conditions of employment for health-care employees of the Department of Veterans Affairs, and for other purposes.*

Veterans Programs for Housing and Memorial Affairs

P.L. 102-54 [H.R. 232] enacted June 13, 1991

Preamble *An Act to amend title 38, United States Code, with respect to veterans programs for housing and memorial affairs, and for other purposes.*

Department of Veterans Affairs Codification Act

P.L. 102-83 [H.R. 2525] enacted August 6, 1991

Preamble *An Act to amend title 38 United States Code, to codify the provisions of law relating to the establishment of the Department of Veterans Affairs, to restate and reorganize certain provisions of that title, and for other purposes.*

Legislative Branch Appropriations

P.L. 102-90 [H.R. 2506] enacted August 14, 1991

Preamble *An Act making appropriations for the Legislative Branch for the fiscal year ending September 30, 1992, and for other purposes.*

Emergency Unemployment Compensation Act of 1991

P.L. 102-107 [H.R. 3201] enacted August 17, 1991

Preamble *An Act to provide emergency unemployment compensation, and for other purposes.*

Treasury, Postal Service and General Government Appropriations Act, 1992

P.L. 102-141 [H.R. 2622] enacted October 28, 1991

Preamble *An Act making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain Independent Agencies, for the fiscal year ending September 30, 1992, and for other purposes.*

Emergency Unemployment Compensation Act of 1991

P.L. 102-164 [H.R. 3575] enacted November 15, 1991

Preamble *An Act to provide a program of emergency unemployment compensation, and for other purposes.*

Miscellaneous Foreign Affairs

P.L. 102-182 [H.R. 1724] enacted December 4, 1991

Preamble *An Act to provide for the termination of the application of title IV of the Trade Act of 1974 to Czechoslovakia and Hungary.*

Tax Extension Act of 1991

P.L. 102-227 [H.R. 3909] enacted December 11, 1991

Preamble *An Act to amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes.*

Intermodal Surface Transportation Efficiency Act of 1991

Title VIII—Surface Transportation Revenue Act of 1991

P.L. 102-240 [H.R. 2950] enacted December 18, 1991

Preamble *An Act to develop a national intermodal surface transportation system, to authorize funds for construction of highways, for highway safety programs, and for mass transit programs, and for other purposes.*

One Hundred Second Congress, Second Session

Emergency Unemployment Benefits: Extension

P.L. 102-244 [H.R. 4095] enacted February 7, 1992

Preamble *An Act to increase the number of weeks for which benefits are payable under the Emergency Unemployment Compensation Act of 1991, and for other purposes.*

Unemployment Compensation Amendments of 1992

P.L. 102-318 [H.R. 5260] enacted July 3, 1992

Preamble *An Act to extend the emergency unemployment compensation program, to revise the trigger provisions contained in the extended unemployment compensation program, and for other purposes.*

Treasury, Postal Service, and General Government Appropriations Act, 1993

P.L. 102-393 [H.R. 5488] enacted October 6, 1992

Preamble *An Act making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain Independent Agencies, for the fiscal year ending September 30, 1993, and for other purposes.*

Energy Policy Act of 1992

P.L. 102-486 [H.R. 776] enacted October 24, 1992

Preamble *An Act to provide for improved energy efficiency.*

Veterans' Benefits Act of 1992

P.L. 102-568 [H.R. 5008] enacted October 29, 1992

Preamble *An Act to amend title 38, United States Code, to reform the formula for payment of dependency and indemnity compensation to survivors of veterans dying from service-connected causes, to increase the rate of payments for benefits under the Montgomery GI bill, and for other purposes.*

Federal Courts Administration Act of 1992

P.L. 102-572 [S. 1569] enacted October 29, 1992

Preamble *An Act to implement the recommendations of the Federal Courts Study Committee, and for other purposes.*

Water Resources Development Act of 1992

P.L. 102-580 [H.R. 6167] enacted October 31, 1992

Preamble *An Act to provide for the conservation and development of water and related resources, to authorize the United States Army Corps of Engineers civil works program to construct various projects for improvements to the Nation's infrastructure, and for other purposes.*

Airport and Airway Safety, Capacity, Noise Improvement, and Intermodal Transportation Act of 1992

P.L. 102-581 [H.R. 6168] enacted October 31, 1992

Preamble *An Act to amend the Airport and Airway Improvement Act of 1982 to authorize appropriations, and for other purposes.*

One Hundred Third Congress, First Session

Emergency Unemployment Compensation Amendments of 1993

P.L. 103-6 [H.R. 920] enacted March 4, 1993

Preamble *An Act to extend the emergency unemployment compensation program, and for other purposes.*

Omnibus Budget Reconciliation Act of 1993

P.L. 103-66 [H.R. 2264] enacted August 10, 1993

Preamble *An Act to provide for reconciliation pursuant to section 7 of the concurrent resolution on the budget for fiscal year 1994.*

Treasury, Postal Service, and General Government Appropriations Act, 1994

P.L. 103-123 [H.R. 2403] enacted October 23, 1993

Preamble *An Act making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain Independent Agencies, for the fiscal year ending September 30, 1994, and for other purposes.*

South African Democratic Transition Support Act of 1993

P.L. 103-149 [H.R. 3225] enacted November 23, 1993

Preamble *An Act to support the transition to nonracial democracy in South Africa.*

Unemployment Compensation Amendments of 1993

P.L. 103-152 [H.R. 3167] enacted November 24, 1993.

Preamble *An Act to extend the emergency unemployment compensation program, to establish a system of worker profiling, and for other purposes.*

Intelligence Authorization Act for Fiscal Year 1994

P.L. 103-178 [H.R. 2330] enacted December 3, 1993.

Preamble *An Act to authorize appropriations for fiscal year 1994 for the intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes.*

North American Free Trade Agreement Implementation Act

P.L. 103-182 [H.R. 3450] enacted December 8, 1993.

Preamble *An Act to implement the North American Free Trade Agreement.*

One Hundred Third Congress, Second Session

Airport Improvement Program Temporary Extension Act of 1994

P.L. 103-260 [S. 2024] enacted May 26, 1994.

Preamble *An Act to provide temporary obligational authority for the airport improvement program and to provide for certain airport fees to be maintained at existing levels for up to 60 days, and for other purposes.*

Revision of Title 49, Transportation, United States Code

P.L. 103-272 [H.R. 1758] enacted July 5, 1994.

Preamble *An Act to revise, codify, and enact without substantive change certain general and permanent laws, related to transportation, as subtitles II, III, and V—X of title 49, United States Code, “Transportation”, and to make other technical improvements in the Code.*

Social Security Independence and Program Improvements Act of 1994

P.L. 103-296 [H.R. 4277] enacted August 15, 1994.

Preamble *An Act to establish the Social Security Administration as an independent agency and to make other improvements in the old-age, survivors, and disability insurance program.*

Federal Aviation Administration Authorization Act of 1994

P.L. 103-305 [H.R. 2739] enacted August 23, 1994.

Preamble *An Act to amend the Airport and Airway Improvement Act of 1982 to authorize appropriations for fiscal years 1994, 1995, and 1996, and for other purposes.*

Violent Crime Control and Law Enforcement Act of 1994

P.L. 103-322 [H.R. 3355] enacted September 13, 1994.

Preamble *An Act to control and prevent crime.*

Treasury, Postal Service and General Government Appropriations Act of 1995

P.L. 103-329 [H.R. 4539] enacted September 30, 1994.

Preamble *An Act making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain Independent Agencies, for the fiscal year ending September 30, 1995, and for other purposes.*

Social Security Domestic Employment Reform Act of 1994

P.L. 103-387 [H.R. 4278] enacted October 22, 1994.

Preamble *An Act to make improvements in the old-age, survivors, and disability insurance program under title II of the Social Security Act.*

Codification Amendments

P.L. 103-429 [H.R. 4778] enacted October 31, 1994

Preamble *To codify without substantive change recent laws related to transportation and to improve the United States Code.*

Uruguay Round Agreements Act

P.L. 103-465 [H.R. 5110] enacted December 8, 1994.

Preamble *To approve and implement the trade agreements concluded in the Uruguay Round of multilateral trade negotiations.*

One Hundred Fourth Congress, First Session

Permanent Extension of Deduction for Health Insurance Costs of Self-Employed Individuals

P.L. 104-7 [H.R. 831] enacted April 11, 1995.

Preamble An Act to amend the Internal Revenue Code of 1986 to permanently extend the deduction for the health insurance costs of self-employed individuals, to repeal the provision permitting nonrecognition of gain on sales and exchanges effectuating policies of the Federal Communication Commission, and for other purposes.

Treasury, Postal Service, and General Government Appropriations Act, 1996

P.L. 104-52 [H.R. 2020] enacted November 19, 1995.

Preamble An Act making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain independent Agencies, for the fiscal year ending September 30, 1996, and for other purposes.

Federal Reports Elimination and Sunset Act of 1995

P.L. 104-66 [S. 790] enacted December 21, 1995

Preamble An Act to provide for the modification or elimination of Federal reporting requirements.

ICC Termination Act of 1995

P.L. 104-88 [H.R. 2539] enacted December 29, 1995.

Preamble An Act to abolish the Interstate Commerce Commission, to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation, and for other purposes.

One Hundred Fourth Congress, Second Session

State Taxation of Pension Income Act of 1995

P.L. 104-95 [H.R. 394] enacted January 10, 1996.

Preamble To amend title 4 of the United States Code to limit State taxation of certain pension income.

Tax Benefits for Individuals Performing Services in Certain Hazardous Duty Areas

P.L. 104-117 [H.R. 2778] enacted March 20, 1996.

Preamble To provide that members of the Armed Forces performing services for the peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia shall be entitled to tax benefits in the same manner as if such services were performed in a combat zone, and for other purposes.

Taxpayer Bill of Rights 2

P.L. 104-168 [H.R. 2337] enacted July 30, 1996

Preamble *To amend the Internal Revenue Code of 1986 to provide for increased taxpayer protections.*

Small Business Job Protection Act of 1996

P.L. 104-188 [H.R. 3448] enacted August 20, 1996

Preamble *An Act to provide tax relief for small businesses, to protect jobs, to create opportunities, to increase the take home pay of workers, to amend the Portal-to-Portal Act of 1947 relating to the payment of wages to employees who use employer owned vehicles, and to amend the Fair Labor Standards Act of 1938 to increase the minimum wage rate and to prevent job loss by providing flexibility to employers in complying with minimum wage and overtime requirements under that Act.*

Health Insurance Portability and Accountability Act of 1996

P.L. 104-191 [H.R. 3103] enacted August 21, 1996

Preamble *An Act to amend the Internal Revenue Code of 1986 to improve portability and continuity of health insurance coverage in the group and individual markets, to combat waste, fraud, and abuse in health insurance and health care delivery, to promote the use of medical savings accounts, to improve access to long-term care services and coverage, to simplify the administration of health insurance, and for other purposes.*

Personal Responsibility and Work Opportunity Reconciliation Act of 1996

P.L. 104-193 [H.R. 3734] enacted August 22, 1996

Preamble *To provide for reconciliation pursuant to section 201(a)(1) of the concurrent resolution on the budget for fiscal year 1997.*

Omnibus Consolidated Appropriations Act, 1997

P.L. 104-208 [H.R. 3610] enacted September 30, 1996

Preamble *Making omnibus consolidated appropriations for the fiscal year ending September 30, 1997, and for other purposes.*

Federal Aviation Reauthorization Act of 1996

P.L. 104-264 [H.R. 3539] enacted October 9, 1996

Preamble *To amend title 49, United States Code, to reauthorize programs of the Federal Aviation Administration, and for other purposes.*

Water Resources Development Act of 1996

P.L. 104-303 [S. 640] enacted October 12, 1996

Preamble *To provide for the conservation and development of water and related resources, to authorize the Secretary of the Army to construct various projects for improvements to rivers and harbors of the United States, and for other purposes.*

General Accounting Office Act of 1996

P.L. 104-316 [H.R. 3864] enacted October 19, 1996

Preamble *To amend laws authorizing auditing, reporting, and other functions by the General Accounting Office.*

One Hundred Fifth Congress, First Session**Airport and Airway Trust Fund Tax Reinstatement Act of 1997**

P.L. 105-2 [H.R. 668] enacted February 28, 1997

Preamble *An Act to amend the Internal Revenue Code of 1986 to reinstate the Airport and Airway Trust Fund excise taxes, and for other purposes.*

Balanced Budget Act of 1997

P.L. 105-33 [H.R. 2015] enacted August 5, 1997

Preamble *An Act to provide for reconciliation pursuant to subsections (b)(1) and (c) of section 105 of the concurrent resolution on the budget for fiscal year 1998.*

Taxpayer Relief Act of 1997

P.L. 105-34 [H.R. 2014] enacted August 5, 1997

Preamble *An Act to provide for reconciliation pursuant to subsections (b)(2) and (d) of section 105 of the concurrent resolution on the budget for fiscal year 1998.*

Taxpayer Browsing Protection Act

P.L. 105-35 [H.R. 1226] enacted August 5, 1997

Preamble *An Act to amend the Internal Revenue Code of 1986 to prevent the unauthorized inspection of tax returns or tax return information.*

Treasury and General Government Appropriations Act, 1998

P.L. 105-61 [H.R. 2378] enacted October 10, 1997

Preamble *An Act making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain independent Agencies, for the fiscal year ending September 30, 1998, and for other purposes.*

Departments of Labor, Health and Human Services and Education, and Related Agencies Appropriations Act, 1998

P.L. 105-78 [H.R. 2264] enacted November 13, 1997

Preamble *Making appropriations for the Departments of Labor, Health and Human Services, and Education, and related agencies for the fiscal year ending September 30, 1998, and for other purposes.*

Codification Amendments, 1997

P.L. 105-102 [H.R. 1086] enacted November 20, 1997

Preamble *To codify without substantive change laws related to transportation and to improve the United States Code.*

Food and Drug Administration Modernization Act of 1997

P.L. 105-115 [S. 830] enacted November 21, 1997

Preamble *To amend the Federal Food, Drug, and Cosmetic Act and the Public Health Service Act to improve the regulation of food, drugs, devices, and biological products, and for other purposes.*

Surface Transportation Extension Act of 1997

P.L. 105-130 [S. 1519] enacted December 1, 1997

Preamble *To provide a 6-month extension of highway, highway safety, and transit programs pending enactment of a law reauthorizing the Intermodal Surface Transportation Efficiency Act of 1991.*

One Hundred Fifth Congress, Second Session

Transportation Equity Act for the 21st Century

P.L. 105-178 [H.R. 2400] enacted June 9, 1998

Preamble *To authorize funds for Federal-aid highways, highway safety programs, and transit programs, and for other purposes.*

Internal Revenue Service Restructuring and Reform Act of 1997

P.L. 105-206 [H.R. 2676] enacted July 22, 1998.

Preamble *To amend the Internal Revenue Code of 1986 to restructure and reform the Internal Revenue Service, and for other purposes.*

Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999

P.L. 105-277 [H.R. 4328] enacted October 21, 1998

Preamble *Making omnibus consolidated and emergency appropriations for the fiscal year ending September 30, 1999, and for other purposes.*

One Hundred Sixth Congress, First Session

Extension of Tax Benefits—Operation Allied Force

P.L. 106-21 [H.R. 1376] enacted April 19, 1999

Preamble *An Act to extend the tax benefits available with respect to services performed in a combat zone to services performed in the Federal Republic of Yugoslavia (Serbia/Montenegro) and certain other areas, and for other purposes.*

Miscellaneous Trade and Technical Corrections Act of 1999

P.L. 106-36 [H.R. 435] enacted June 25, 1999

Preamble *An act to make miscellaneous and technical changes to various trade laws, and for other purposes.*

Appropriations, 2000–Treasury, Postal Service, Executive Office of the President, and General Government

P.L. 106-58 [H.R. 2490] enacted September 29, 1999

Preamble *An Act Making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain Independent Agencies, for the fiscal year ending September 30, 2000, and for other purposes.*

National Defense Authorization Act for Fiscal Year 2000

P.L. 106-65 [S. 1059] enacted on October 5, 1999

Preamble *An Act to authorize appropriations for fiscal year 2000 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.*

Ticket to Work and Work Incentives Improvement Act of 1999

P.L. 106-170 [H.R. 1180] enacted December 17, 1999

Preamble *An Act to amend the Social Security Act to expand the availability of health care coverage for working individuals with disabilities, to establish a Ticket to Work and Self-Sufficiency Program in the Social Security Administration to provide such individuals with meaningful opportunities to work, and for other purposes.*

One Hundred Sixth Congress, Second Session

Trade and Development Act of 2000

P.L. 106-200 [H.R. 434] enacted May 18, 2000

Preamble *An act to authorize a new trade and investment policy for sub-Saharan Africa, expand trade benefits to the countries in the Caribbean Basin, renew the generalized system of preferences, and reauthorize the trade adjustment assistance programs.*

FSC Repeal and Extraterritorial Income Exclusion Bill of 2000

P.L. 106-519 [H.R. 4986] enacted November 15, 2000

Preamble *An act to amend the Internal Revenue Code of 1986 to repeal the provisions relating to foreign sales corporations (FSCs) and to exclude extraterritorial income from gross income.*

Consolidated Appropriations Act, 2001

P.L. 106-554 [H.R. 4577] enacted December 21, 2000

Preamble *An act making consolidated appropriations for the fiscal year ending September 30, 2001, and for other purposes.*

Installment Tax Correction Act of 2000

P.L. 106-573 [H.R. 3594] enacted December 28, 2000

Preamble *An act to repeal the installment method.*

Contents

Eighty-Third Congress, Second Session	1
Excise Tax Reduction Act of 1954	1
Copper	1
Revised Organic Act of the Virgin Islands	1
District Courts' Jurisdiction	1
Employment Security Administrative Financing Act of 1954	2
Internal Revenue Code of 1954	2
Oral Prescriptions for Narcotic Drugs	2
Railroad Retirement Tax Amendments	2
Social Security Tax Amendments of 1954	2
Federal Unemployment Tax Amendments	2
Eighty-Fourth Congress, First Session	2
Violation of Narcotic Drug Laws	2
Tax Court Judges and Congressional Salaries Increase	2
Tax Rate Extension Act of 1955	3
Metal Scrap	3
Accounting Method Amendments	3
Suspension of Copper Import Taxes	3
Renegotiation Act of 1951, Extension	3
Armed Forces Retirement Income Tax Credit	3
Floor Stocks Refunds	3
Collection of Income Tax at Source on Wages	3
Amendment of Revenue Act of 1951 for Armed Forces Members	
Dying in Service	3
Leases of Certain Trailers	3
Income Tax, Collection at Source on Wages	4
Exemption for Dependents in the Philippines	4
Tax on Admissions—United States Olympic Association	4
IRC 1954 Amendments	4
Spirits and Wines Lost in 1954 Hurricanes	4
Tax Treatment of Income from Patent Infringement Suits	4
Manufacturers' Excise Taxes	4
Use of Corporation Property By a Shareholder	4
Manufacturers Excise Tax on Motorcycles	4
Railroad Retirement and Unemployment Insurance	5
Residences of Armed Forces; Recovery Involving Patent Infringement	5
Income Taxes on Arbitrage Operations in Securities and Personal	
Holding Companies	5
Eighty-Fourth Congress, Second Session	5
Carryovers of Unused Pension Trust Deductions	5
Internal Revenue Code of 1939, Amendment	5
Limitation on Retirement Income Tax Credit	5
Western Hemisphere Trade Corporation	5
Documentary Stamp Tax	6

Taxes; Charitable Contributions	6
Technical Changes Act of 1953, Amendment	6
Estate Taxes, Credit	6
Life Insurance Company Tax Act for 1955	6
Tax Rate Extension Act of 1956	6
Taxes, Gasoline and Special Fuels Used for Farming; Tax Exemption	6
Capital Gains; Real Property Subdivided For Sale	6
Distributions Pursuant to Bank Holding Company Act of 1956	6
Excise Taxes on Sugar	6
Federal-Aid Highway Act of 1956	7
Railroad Reorganizations; Recognition of Gain or Loss	7
Income Tax Deductions; Trademark and Trade Name Expenditures	7
Distilled Spirits, National Emergency Transfers and Undistributed Capital Gains of Regulated Investment Companies	7
Mutual Security Act of 1956	7
Narcotic Control Act of 1956	7
Life Insurance Companies; Income Tax	7
Taxes, Foreign Transportation Exemption	7
Social Security Amendments of 1956	8
Servicemen's and Veterans' Survivor Benefits Act	8
Guam, Application of Federal Laws, Federal Seed Act	8
Estate Taxes	8
Tax on Admissions	8
Estate Taxes, Bequests in Trust	8
Tax on Transportation	8
Taxes, Contributions for Medical Research	8
Eighty-Fifth Congress, First Session	9
Tax Rate Extension Act of 1957	9
Veterans' Benefits Act of 1957	9
Exemption of Armed Forces Furlough Travel from Transportation Tax ...	9
Adjustment for Breach of Contract Damages; Amortization of Emergency Facilities	9
Internal Revenue Code of 1954, Amendments for Ministers	9
Eighty-Fifth Congress, Second Session	9
Incompetent Decedents	9
Use of Corporate Property by Shareholder	10
Income Taxes; Stock Options	10
Collected Taxes; Administration	10
Alcohol and Tobacco Tax Refund	10
Taxes, Life-Insurance Companies	10
Taxes; Unrelated Business Taxable Income	10
Admissions Tax; Exemptions	10
Tax Rate Extension Act of 1958	10
Distilled Spirits; National Emergency Transfers	10
Income Tax Offenses: Jurisdiction	11
Federal Income Tax Applicability: Guam	11
Social Security Amendments of 1958	11

Veterans' Benefits. Enactments as Title 38, U.S. Code	11
Excise Tax Technical Changes Act of 1958	11
Technical Amendments Act of 1958	11
Armed Forces, Army and Navy Surgeons General, Responsibilities	11
Corporations: Tax Refund Suits	11
Eighty-Sixth Congress, First Session	12
Tax Suspension on Palm Oil, Etc.	12
Life Insurance Company Income Tax Act of 1959	12
Alaska Omnibus Act	12
Tax Rate Extension Act of 1959	12
Revocable Transfers	12
Farm Credit Act of 1959	12
Estate Tax Deduction	12
Taxes; Claims for Credit	12
Admissions Tax, Athletic Games	12
Federal-Aid Highway Act of 1959	13
Excise Tax Laws, Technical Changes	13
U.S. Savings Bonds, Interest Rates Increase	13
Chief Counsel for the Internal Revenue Service	13
Internal Revenue Code of 1954, Adoption and Small Business Corporations Election Amendments	13
Eighty-Sixth Congress, Second Session	13
Aromatic Cachous	13
Documentary Stamp Tax Rate	13
Taxes, Bicycle Tires and Tubes	14
Cabaret Tax	14
Tax Exemption, Credit Unions	14
Narcotics Manufacturing Act of 1960	14
Personal Holding Company Tax, Copyright Royalties	14
Taxes, Employees' Trusts, Taxability	14
Taxes, Laminated Tires	14
Dealer Reserve Income Adjustment Act of 1960	14
Taxes, Assessing Additions	14
Taxes, Firearms	15
Taxes, Railroad Corporations	15
Public Debt and Tax Rate Extension Act of 1960	15
Sugar Act of 1948, Amendment	15
Exploration Expenditures	15
Hawaii Omnibus Act	15
Supplemental Unemployment Benefit Trusts, Tax Exemptions	15
Overseas Differentials and Allowances Act	15
Taxes, Cigars	16
Foreign Tax Credit Amendment	16
Manufacturers Excise Taxes, Advertising Charges	16
Eighty-Seventh Congress, First Session	16
Sugar Act of 1948: Amendment	16
Tax Exemption, Foreign Central Bank Issues	16

Report on Renegotiation, Time Extension	16
Public Debt, Gifts	16
Plumbers Union Local No. 12, Pension Fund	16
Federal-Aid Highway Program	17
Tax Rate Extension Act of 1961	17
Income Taxes, Membership Organizations	17
Mutual Educational and Cultural Exchange Act of 1961	17
Peace Corps Act	17
Income Tax, Clay Products	17
Federal Unemployment Tax Act, Amendment	17
Judges, Tax Court of U.S., Annuities to Widows and Children	17
Taxes, Account Numbers	18
Eighty-Seventh Congress, Second Session	18
Stock, Antitrust Distribution, Income Tax Treatment	18
Beta-Ray Spectrometer (Free Entry) and Disaster Losses:	
Tax Treatment	18
Tax Rate Extension Act of 1962	18
Sugar Act Amendments of 1962	18
Taxes, Declaration by Fishermen	18
Taxes, Operating Loss Carryovers	18
Consumer Finance Companies. Personal Holding Company Tax,	
Exception	19
Duty-Free Entries and Tax Relief. Personal and Household Effects	19
Self-Employed Individuals Tax Retirement Act of 1962	19
Trade Expansion Act of 1962	19
Revenue Act of 1962	19
Manufacturers Excise Taxes	19
Coconut and Palm Oil, Tax Suspension, Extension	19
Taxes, Medical Expense Deductions	19
Terminal Railroad Corporations, Income Tax	20
Internal Revenue, Retirement Income, Limitations	20
Eighty-Eighth Congress, First Session	20
Child Care Expenses, Deduction	20
Taxes, Redeemable Ground Rents	20
Silver Bullion, Silver Certificates, and Federal Reserve Notes	20
Tax Rate Extension Act of 1963	20
Treasury Department, Assistant Secretary	20
Deductibility of Accrued Vacation Pay	20
Eighty-Eighth Congress, Second Session	21
Revenue Act of 1964	21
Tobacco Products Tax Exemption	21
Excise Tax Rate Extension Act of 1964	21
Unrelated Business Taxable Income	21
Taxes, Collapsible Corporations	21
Distilled Spirits Tax Refund	21
Taxes, Vacation Pay Deductibility	21
Interest Equalization Tax Act	21

Taxes, Installment Obligations	22
Taxes, Life Insurance Companies	22
Land and Water Conservation Fund Act of 1965	22
Wine, Use of Fruit-Flavored Concentrates	22
Eighty-Ninth Congress, First Session	22
Excise Tax Reduction Act of 1965	22
Social Security Tax Amendments of 1965	22
Interest Equalization Tax Extension Act of 1965	22
Sugar Act Amendments of 1965	23
Nonprofit Organizations–Tax Exemptions	23
U.S. Tax Court Judges–Retirement Pay	23
IRC 1939–Amendment	23
Family Protection Plan–Tax Treatment	23
Tax Adjustment Act of 1966	23
Eighty-Ninth Congress, Second Session	23
Foreign Expropriations, Medical Insurance; Enrollment Period	23
Small Business Corporations–Special Options	23
Renegotiation Act–Extension	24
D.C. Courts: Transfer of Functions	24
Excise Taxes–On Tires and Tubes	24
Income Taxes–Mining Exploration Expenditures	24
Estate Tax	24
Accrued Vacation Pay	24
Taxes–Direct Filing of Returns	24
Federal Tax Lien Act of 1966	24
Interest on Refunds	24
Reserve for Certain Guaranteed Debt Obligations	25
Combat Pay Exclusion: Increase	25
Narcotic Addict Rehabilitation Act of 1966	25
Depreciable Property, Investment Credit Suspension	25
Foreign Investors Tax Act of 1966; Presidential Election Campaign Fund Act of 1966	25
Ninetieth Congress, First Session	25
Investment Credit Restoration and Allowance of Accelerated Depreciation	25
Interest Equalization Tax; Extension Act of 1967	25
Taxes, Wine Unfit for Beverage Use–Tax Free Withdrawal	25
Exemptions for Children of Divorced Parents	26
Bank Holding Company Distributions	26
Armed Forces–Gifts by Members in Combat Zones and Duty-Free Entry .	26
Ninetieth Congress, Second Session	26
Excise Taxes–Extension	26
Political Advertising in National Convention Program– Income Tax Deduction	26
Revenue and Expenditure Control Act of 1968	26

Self-Employed Individuals–Pension Plans	26
Gun Control Act of 1968	26
Taxes–Wine Spirits	27
Taxes–Corporations–Statutory Mergers	27
Taxes–Global Communications Satellite System–Tax Exemption	27
Taxes–Definition of Compensation	27
Taxes–Distilled Spirits	27
Industrial Development Bonds; Exemption for Certain Small Issues	27
Ninety-First Congress, First Session	27
Income Withholding Rates Extension	27
Interest Equalization Tax–Extension	27
Federal Unemployment Tax; Employment Security Administration Account; Income Tax Surcharge	28
Istle: Duty Suspension & Interest Equalization Tax: Extension	28
Interest Equalization Tax Extension Act of 1969	28
Tax Reform Act of 1969	28
Ninety-First Congress, Second Session	28
Treatment of Certain Individuals as Serving in Combat Zone	28
Airport and Airway Development Act of 1970	28
Ute Tribes: Judgement Funds, Disposition	28
Federal-Aid Highway Act of 1970	29
Excise, Estate, and Gift Tax Adjustment Act of 1970	29
Cemetery Corporations–Income Tax Exemption	29
Taxes–Floor Stock Refunds–Claims–Filing Extension	29
Distilled Spirits Taxes	29
Beer Taxes	29
Tax Reform Act of 1969–Amendment	29
Taxes for Leased Aircraft–Investment Credit Recapture	29
Taxes–Expropriation of Property by Cuba; Property Losses	30
Cement Mixers Floor Stock Refunds	30
Joint Returns–Liability	30
Almond Grove Capital Expenditures	30
Foreign Corporations; Recognition of Gains on Exchanges	30
Small Business Corporations; Passive Investment Income	30
Foreign Corporations–Foreign Tax Credit	30
Real Property Sales by Corporations	30
Losses on Worthless Securities	30
Tax Returns of Life Insurance Companies	31
Union-Negotiated Pension Plans–Qualification Period	31
Corporations–Statutory Mergers	31
Ninety-Second Congress, First Session	31
Interest Equalization Tax Extension Act of 1971	31
Renegotiation Act of 1951, Amendments; U.S. Tax Court Judges	31
Revenue Act of 1971	31
Ninety-Second Congress, Second Session	31
Prisoners of War, Vietnam Conflict; Income Tax Exclusion	31

Treasury Department Positions, Establishment	32
Federal Personnel Surety Bonds: Elimination	32
Veterans' Organizations, Tax Exempt Status	32
Revenue Sharing Act of 1972	32
Wildlife Restoration Fund; Bows and Arrows, Tax	32
Taxes, American Samoans	32
Coordination of United States and Guam Individual Income Taxes	32
 Ninety-Third Congress, First Session	 32
Interest Equalization Tax Extension Act of 1973	32
Presidential Election Campaign Fund	32
Renegotiation Act of 1951, and Social Security Act, Amendments	33
 Ninety-Third Congress, Second Session	 33
Copying Shoe Lathes. Duty Suspension, Extension	33
Wildlife Restoration Projects Funds Extension	33
Renegotiation Act of 1951 Extension	33
Employee Retirement Income Security Act of 1974	33
Presidential Election Campaign Fund	33
Crude Feathers and Downs, Duty Rate; Personal Holding Company, Income Exclusion; Health Insurance for the Aged	33
Corporations, Qualified Export Assets; Expenditures of Low Income Rental Housing Rehabilitation	33
Carboxymethyl Cellulose Salts, Duty Suspension; Internal Revenue Code of 1954, Amendments	34
Certain Bicycle Parts and Accessories, Duty Suspension; Internal Revenue Code of 1954, Amendments	34
Percentage Depletion and Wagering Tax Amendments	34
Tax Treatment of Servicemen, Prisoners of War, Etc.	34
Amortization Extension; Accrued Vacation Pay; Class Life System for Realty; Real Estate Investment Trusts; Interest on Tax Deficiencies; Student Loan Funding; Exclusion of Interest by Non-Resident Aliens; Interest Equalization Tax; Tax Treatment of Political Organizations	34
 Ninety-Fourth Congress, First Session	 34
Tax Reduction Act of 1975	34
Emergency Compensation and Special Unemployment Assistance Extension Act of 1975	35
Indians–Klamath Tribe, Gains from Condemnation of Certain Forest Lands–Tax Exclusion	35
Revenue Adjustment Act of 1975	35
 Ninety-Fourth Congress, Second Session	 35
New York–Public Employee Retirement Systems	35
Tax Treatment of ConRail Exchanges	35
Employee Retirement Plans; Rollover of Distributions	35
Federal-Aid Highway Act of 1976	35
Federal Election Campaign Act Amendments of 1976	36
Life Insurance Companies–Policyholders Surplus Amount	36

Airport and Airway Development Act Amendments of 1976	36
Taxes—Certain Option Income of Exempt Organizations	36
Social Security Act, Amendments	36
Taxes—Common Trust Funds—Treatment of Affiliated Banks	36
Bank Holding Company Tax Act of 1976	36
Tax Reform Act of 1976	36
Taxes—Interest Deduction on Certain Corporate Indebtedness	37
Taxes—Cemetery Perpetual Care Funds	37
Beer—Small Business Tax Reduction	37
Taxes—Certain Aircraft Museums—Fuel Tax Exemptions	37
Title 17, USC, Copyrights	37
Taxes—Exempt Organizations	37
Taxes—Distilled Spirits—Use of Stamps on Containers	37
Ninety-Fifth Congress, First Session	37
Tax Reduction and Simplification Act of 1977	37
Secretary of the Treasury. Public Moneys, Investment Authority	38
Social Security Act—Amendments	38
.....	38
Certain Silk Yards Duty Suspension Extension—Internal Revenue Code of 1954 Amendment to State and Local Taxes Not Included in Determining Amounts Paid for Communications Services	38
Taxes—Distilled Spirits or Wines	38
Social Security Act, Amendment	38
Employee Retirement Income Security Act of 1974—Amendment	38
Ninety-Fifth Congress, Second Session	38
Black Lung Benefits Revenue Act of 1977	38
Black Lung Benefits Reform Act of 1977	38
Taxes—Certain Crop Payments; State legislators’ Travel Expenses	39
New York City Loan Guarantee Act of 1978	39
Internal Revenue Code Treatment of Income from Nonmember Telephone Companies	39
Taxes—Alcoholic Beverages—Excise Tax Refund—Losses Resulting from Disaster, Vandalism, or Malicious Mischief	39
Taxes—Regulations on Taxation of Fringe Benefits—Prohibition	39
Excise Taxes on Trucks, Buses and Tractors; Home Production of Beer and Wine; Aerial Applicators; Rollover of Lump Sum Distributions	39
U.S. Tax Court—Judges’ Retirement Pay	39
Black Lung Benefit Trusts	40
Taxes—New York Public Employees Retirement Systems	40
Internal Revenue Code of 1954—Amendment	40
Surface Transportation Assistance Act of 1978	40
Revenue Act of 1978	40
Tax Treatment Extension Act of 1977	40
Energy Tax Act of 1978	40
Miscellaneous Timing Requirements	40
Ninety-Sixth Congress, First Session	41

Distilled Spirits Tax Revision Act of 1979	41
Unemployment Compensation Amendments of 1976, Amendment	41
Prohibition of Issuance of Fringe Benefit Regulations	41
Business Expenses of State Legislators	41
Federal Election Campaign Act Amendments of 1979	41
 Ninety-Sixth Congress, Second Session	 41
Technical Corrections Act of 1979	41
Crude Oil Windfall Profit Tax Act of 1980	41
Food Stamp Act Amendments of 1980	41
Adoption Assistance and Child Welfare Act of 1980	42
Deep Seabed Hard Mineral Resources Act	42
Energy Security Act	42
Airport and Airway Trust Fund—Extension of Taxes	42
Multi-Employer Pension Plan Amendments Act of 1980	42
Joint Resolution Providing Continuing Appropriations for the Fiscal Year 1981	42
Customs Courts Act of 1980	42
Tax Court—Additional Judges	43
Hostage Relief Act of 1980	43
Recreational Boating Safety and Facilities Improvement Act of 1980	43
Installment Sales Revision Act of 1980	43
Omnibus Reconciliation Act of 1980	43
Comprehensive Environmental Responses, Compensation, and Liability Act of 1980	43
Temporary Tax Provisions—Extension	43
Bankruptcy Tax Act of 1980	43
United States Retirement Bonds—Interest Rates	44
Determination of Second Tier Taxes	44
Internal Revenue Code of 1954—Excise Tax Refunds for Certain Uses	44
Internal Revenue Code of 1954—Simplification	44
Simplification of Private Foundation Return—Reporting Requirements	44
Miscellaneous Revenue Act of 1980	44
Taxation—Individual Living Abroad	44
Social Security Act, Parental Kidnaping	44
Miscellaneous Changes—Tax Laws	44
 Ninety-Seventh Congress, First Session	 45
Economic Recovery Tax Act of 1981	45
Omnibus Budget Reconciliation Act of 1981	45
Appropriations—Fiscal Year 1982	45
Appropriations—Fiscal Year 1982	45
Black Lung Benefits Revenue Act of 1981	45
Omnibus Reconciliation Act of 1981—Social Security Act Benefits	45
 Ninety-Seventh Congress, Second Session	 45
Federal Courts Improvements Act of 1982	45
Urgent Supplemental Appropriations Act of 1982	45
Tax Equity and Fiscal Responsibility Act of 1982	46
Money and Finance. Enactment as Title 31, United States Code	46

Subchapter S Revision Act of 1982	46
Miscellaneous Revenue Act of 1982	46
Debt Collection Act of 1982	46
Orphan Drug Act	46
Surface Transportation Assistance Act of 1982	46
Technical Corrections Act of 1982	46
Department of Transportation and Motor Carrier Safety	47
Virgin Islands Source Income	47
Periodic Payments Settlement	47
 Ninety-Eighth Congress, First Session	 47
Payment-In-Kind Tax Treatment Act of 1983	47
Social Security Amendments of 1983	47
Interest and Dividend Tax Compliance Act of 1983–Caribbean Basin Economic Recovery Act	47
Railroad Retirement Solvency Act of 1983	48
Unemployment and Social Security Benefits, Extensions	48
Guam, Capital Improvement Projects	48
 Ninety-Eighth Congress, Second Session	 48
Money and Finance	48
National Fish and Wildlife Foundation Establishment Act	48
Federal Income Tax Forgiveness for Certain U.S. Military and Civilian Employees Killed Overseas	48
Quadrennial Political Party Presidential National Nominating Conventions	48
Deficit Reduction Act of 1984	48
Child Support Enforcement Amendments of 1984	49
Retirement Equity Act of 1984	49
Civil Aeronautics Board Sunset Act of 1984	49
Trade and Tariff Act of 1984	49
Education Assistance Programs	49
Internal Revenue Code, Amendments: Group Legal Services Plans; Fringe Benefits; Imputed Interest	49
 Ninety-Ninth Congress, First Session	 50
Contemporaneous Recordkeeping Requirements, Repeal	50
Emergency Extension Act of 1985	50
Imputed Interest Rules	50
Public Debt Limit, Temporary Increase	50
Temporary Extension of Miscellaneous Provisions	50
Temporary Extension of Certain Tax Authorities	50
Temporary Extension of Various Authorities	50
 Ninety-Ninth Congress, Second Session	 51
Consolidated Omnibus Budget Reconciliation Act of 1985	51
Federal Employees' Retirement System Act of 1986	51
Congressional Reports Elimination Act of 1986	51

Superfund Amendments and Reauthorization Act of 1986	51
Omnibus Budget Reconciliation Act of 1986	51
Tax Reform Act of 1986	51
Coast Guard Authorization Act of 1986; Uniformed Services; Maritime Affairs	51
Trust Territory of the Pacific Islands; Micronesia Marshall Islands. International Agreements	51
Water Resources Development Act of 1986	52
One Hundredth Congress, First Session	52
Surface Transportation & Uniform Relocation Assistance Act of 1987 ...	52
Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriation Act, 1988; Department of Commerce Appropriations Act, 1988	52
Omnibus Budget Reconciliation Act of 1987	52
Airport and Airway Safety and Capacity Expansion Act of 1987	52
One Hundredth Congress, Second Session	52
Medicare Catastrophic Coverage Act of 1988	52
Omnibus Trade and Competitiveness Act of 1988	53
Coast Guard Authorization Act of 1988; Maritime Affairs	53
Family Support Act of 1988	53
Technical and Miscellaneous Revenue Act of 1988	53
Anti Drug Abuse Act of 1988	53
Disaster Relief and Emergency Assistance Amendments of 1988	53
One-Hundred First Congress, First Session	53
Financial Institutions Reform, Recovery, & Enforcement Act of 1989 ...	53
Increase in the Public Debt Limit	53
Ethics Reform Act of 1989	54
Steel Trade Liberalization Program Implementation Act	54
Medicare Catastrophic Coverage Repeal Act of 1989	54
One Hundred First Congress, Second Session	54
Omnibus Budget Reconciliation Act of 1989	54
Government Organization and Employees	54
Oil Pollution Act of 1990	54
Omnibus Budget Reconciliation Act of 1990	54
Food, Agriculture, Conservation, and Trade Act of 1990	54
Crime Control Act of 1990	54
Immigration Act of 1990	55
One Hundred Second Congress, First Session	55
Taxation: Time Extension for Individuals in Desert Shield Operations ...	55
Department of Veterans Affairs Health-Care Personnel Act of 1991 ...	55
Veterans Programs for Housing and Memorial Affairs	55
Department of Veterans Affairs Codification Act	55
Legislative Branch Appropriations	55
Emergency Unemployment Compensation Act of 1991	55

Treasury, Postal Service and General Government Appropriations Act, 1992	56
Emergency Unemployment Compensation Act of 1991	56
Miscellaneous Foreign Affairs	56
Tax Extension Act of 1991	56
Intermodal Surface Transportation Efficiency Act of 1991	56
One Hundred Second Congress, Second Session	56
Emergency Unemployment Benefits: Extension	56
Unemployment Compensation Amendments of 1992	56
Treasury, Postal Service, and General Government Appropriations Act, 1993	57
Energy Policy Act of 1992	57
Veterans' Benefits Act of 1992	57
Federal Courts Administration Act of 1992	57
Water Resources Development Act of 1992	57
Airport and Airway Safety, Capacity, Noise Improvement, and Intermodal Transportation Act of 1992	57
One Hundred Third Congress, First Session	57
Emergency Unemployment Compensation Amendments of 1993	57
Omnibus Budget Reconciliation Act of 1993	57
Treasury, Postal Service, and General Government Appropriations Act, 1994	58
South African Democratic Transition Support Act of 1993	58
Unemployment Compensation Amendments of 1993	58
Intelligence Authorization Act for Fiscal Year 1994	58
North American Free Trade Agreement Implementation Act	58
One Hundred Third Congress, Second Session	58
Airport Improvement Program Temporary Extension Act of 1994	58
Revision of Title 49, Transportation, United States Code	58
Social Security Independence and Program Improvements Act of 1994 ...	59
Federal Aviation Administration Authorization Act of 1994	59
Violent Crime Control and Law Enforcement Act of 1994	59
Treasury, Postal Service and General Government Appropriations Act of 1995	59
Social Security Domestic Employment Reform Act of 1994	59
Codification Amendments	59
Uruguay Round Agreements Act	59
One Hundred Fourth Congress, First Session	60
Permanent Extension of Deduction for Health Insurance Costs of Self-Employed Individuals	60
Treasury, Postal Service, and General Government Appropriations Act, 1996	60
Federal Reports Elimination and Sunset Act of 1995	60
ICC Termination Act of 1995	60

One Hundred Fourth Congress, Second Session	60
State Taxation of Pension Income Act of 1995	60
Tax Benefits for Individuals Performing Services in Certain Hazardous Duty Areas	60
Taxpayer Bill of Rights 2	61
Small Business Job Protection Act of 1996	61
Health Insurance Portability and Accountability Act of 1996	61
Personal Responsibility and Work Opportunity Reconciliation Act of 1996	61
Omnibus Consolidated Appropriations Act, 1997	61
Federal Aviation Reauthorization Act of 1996	61
Water Resources Development Act of 1996	61
General Accounting Office Act of 1996	62
One Hundred Fifth Congress, First Session	62
Airport and Airway Trust Fund Tax Reinstatement Act of 1997	62
Balanced Budget Act of 1997	62
Taxpayer Relief Act of 1997	62
Taxpayer Browsing Protection Act	62
Treasury and General Government Appropriations Act, 1998	62
Departments of Labor, Health and Human Services and Education, and Related Agencies Appropriations Act, 1998	62
Codification Amendments, 1997	62
Food and Drug Administration Modernization Act of 1997	63
Surface Transportation Extension Act of 1997	63
One Hundred Fifth Congress, Second Session	63
Transportation Equity Act for the 21 st Century	63
Internal Revenue Service Restructuring and Reform Act of 1997	63
Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999	63
One Hundred Sixth Congress, First Session	63
Extension of Tax Benefits—Operation Allied Force	63
Miscellaneous Trade and Technical Corrections Act of 1999	63
Appropriations, 2000—Treasury, Postal Service, Executive Office of the President, and General Government	64
National Defense Authorization Act for Fiscal Year 2000	64
Ticket to Work and Work Incentives Improvement Act of 1999	64
One Hundred Sixth Congress, Second Session	64
Trade and Development Act of 2000	64
FSC Repeal and Extraterritorial Income Exclusion Bill of 2000	64
Consolidated Appropriations Act, 2001	64
Installment Tax Correction Act of 2000	64



Memorandum

February 5, 2001

TO: Joint Committee on Taxation
Attention: Mary Schmitt

FROM: Marie B. Morris
Legislative Attorney
American Law Division

SUBJECT: Frequency of Grants of Regulatory Authority to Internal Revenue Service in Past Ten Years

The attached list is an attempt to capture the times that Congress has specifically granted the Internal Revenue Service regulatory authority over some aspect of the Internal Revenue Code from 1991-2000. Generally omitted from the list are authorizations to adjust for inflation or prescribe forms, requirements to issue reports, and authority to waive certain requirements for individuals on certain grounds.

There does not appear to be a pattern to the number of times that regulations are authorized, or to the language used for the authorization, but the more technical or complex the area, the more likely that the statute will grant authority to make additions, exceptions, or rules “necessary to carry out the purposes” of the statute. Excise taxes on fuels and chemicals, foreign income, expatriation, capital gains, financial transactions, attribution rules, and taxation of pass-through entities (S corporations, partnerships, etc.) are examples of the areas in which Congress frequently delegated some authority in the past 10 years.

The attached list is divided by year, public law, section of the public law, and Internal Revenue Code section, if applicable. Each section is followed by a brief description or quotation to give a sense of what kind of authority was granted by the specific provision.

1991

None

1992

UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1992, P.L. 102-318

- ! § 521(a) amending IRC § 402(d)(2)(E) [re taxation of lump sum distributions]: “The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.”
- ! § 521(a) amending IRC § 402(d)(6) [re recalculation of tax on lump sum distributions in certain cases when retiree is subsequently reemployed]: “[U]nder regulations prescribed by the Secretary, the tax imposed by this chapter for the taxable year (in which the increase in vesting first occurs) shall be increased by the reduction in tax which resulted from the special lump sum treatment (and an election under paragraph (4)(B) shall not be taken into account for purposes of determining whether the employee may make another election under paragraph (4)(B)).”
- ! § 521(a) amending IRC § 402(e)(4)(B) to permit taxpayer election in accordance with rules prescribed by the Secretary.
- ! §521(d) creating note following IRC § 402: “The Secretary or his delegate shall develop a model explanation which a plan administrator may provide to a recipient in order to meet the requirements of IRC § 402(f).”

ENERGY POLICY ACT OF 1992 P.L. 102-486

- ! § 1912, creating IRC § 136(c)(2) to permit Secretary to specify “any other property” which meets definition of specially defined energy property.
- ! § 1913(a) creating new IRC § 179A(e)(4) [deduction for clean fuel vehicles] to require Secretary to provide for recapture of the benefit of any deduction, with respect to any property which ceases to be eligible for the deduction.
- ! §1913(b) creating a new IRC § 30(d)(2) [credit for qualified electric vehicles]: “The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any property which ceases to be property eligible for such credit.”
- ! § 1914 creating a new IRC § 45 [renewable electricity production credit] containing (1) an inflation-adjustment requirement, (2) a requirement that the Secretary determine an annual average contract price per kilowatt hour of electricity generated in the previous year in the U.S., (3) a requirement that the Secretary determine

allocation of ownership interests, and (4) a requirement to prescribe regulations for pass-through in the case of estates and trusts.

- ! § 1920 amending IRC § 4081(c) [relating to alcohol fuels excise taxes] to require regulations to apply special rates of tax on gasoline used in producing gasohol.
- ! § 1932 amending IRC § 4682(g)(4) [re chemicals used for sterilizing medical instruments and as propellants in metered-dose inhalers] to require certain parties to meet “registration requirements as may be prescribed by the Secretary.”
- ! § 1936 amending IRC § 385(c)(3) [relating to treatment of certain interests as stock or indebtedness] to authorize the Secretary to require such information as the Secretary determines to be necessary to carry out the provisions of the subsection.

1993

OMNIBUS BUDGET RECONCILIATION ACT OF 1993 P.L. 103-66

- ! § 13113(a) adding IRC § 1202(k) [re 50% exclusion for gain from certain small business stock]: “The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the avoidance of the purposes of this section through split-ups, shell corporations, partnerships, or otherwise.”
- ! § 13144 amending IRC § 514(c)(9)(G) and (H) [re debt-financed income of tax-exempt organizations]: “Except as otherwise provided by regulations”
- ! § 13150 adding IRC § 108(c)(5) [re exclusion of income from discharge of qualified real property indebtedness]: “The Secretary shall issue such regulations as are necessary to carry out this subsection, including regulations preventing the abuse of this subsection through cross-collateralization or other means.”
- ! § 13161(a) adding IRC § 4003(a) [re special rules for separate purchase of vehicle and parts and accessories]: “Under regulations prescribed by the Secretary . . .” and IRC § 4003(a)(3)(C) “. . . (or such other amount or amounts as the Secretary may by regulation prescribe).”
- ! § 13172 adding IRC § 170(f)(8)(E) [re substantiation of certain charitable contributions]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations that may provide that some or all of the requirements of this paragraph do not apply in appropriate cases.”
- ! § 13206(a) adding IRC § 1258(b) and (c) [re recharacterization of gain from certain financial transactions]: “The Secretary shall by regulations provide for such reductions in the applicable imputed income amount as may be appropriate by reason of amounts capitalized under section 263(g), ordinary income received, or otherwise”; [re definition of conversion transaction] “. . . any other transaction specified in regulations prescribed by the Secretary.”
- ! § 13223 adding IRC § 475(e) [re mark to market accounting method for dealers in securities]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including rules– . . .”
- ! § 13227 amending IRC § 936(a)(4) and 936(i) [re Puerto Rico and possessions tax credit]: “The Secretary may prescribe regulations to prevent the avoidance of this subclause through deconsolidation or otherwise”; “[Credit shall be] allocated among such possession corporations in such manner as the Secretary may prescribe.”
- ! § 13228(a) amending IRC § 163(j) [re limitation on deduction for certain interest]: “The term ‘disqualified guarantee’ shall not include a guarantee in any circumstances identified by the Secretary by regulation . . .”

- ! § 13231(b) added IRC § 956A(f) [re earnings of a controlled foreign corporation invested in excess passive assets]: “The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section, including regulations to prevent the avoidance of the provisions of this section through reorganizations or otherwise.”

- ! § 13231(d) amended IRC § 1297(d)(2)(A) and (B) [re determination of adjusted basis]: “The adjusted basis of any asset to which paragraph (1) applies shall be the unamortized portion (as determined under regulations prescribed by the Secretary) of the present value of the payments under the lease for the use of such property. . . . “[P]resent value . . . shall be determined in the manner provided in regulations prescribed by the Secretary.”

- ! § 13232(b) adding IRC § 956(e) [re investment of earnings in United States property]: “The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section, including regulations to prevent the avoidance of the provisions of this section through reorganizations or otherwise.”

- ! § 13234(b) amending IRC § 864(f)(5) [re allocation of research and experimental expenditures]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations relating to the determination of whether any expenses are attributable to activities conducted in the United States or outside the United States and regulations providing such adjustments to the provisions of this subsection as may be appropriate in the case of cost-sharing arrangements and contract research.”

- ! § 13237 amending IRC § 871(a)(4)(A)(ii) and (C)(vi) and IRC § 2015(b) [re definition of portfolio interest]: “. . . any other type of contingent interest that is identified by the Secretary by regulation, where a denial of the portfolio interest exemption is necessary or appropriate to prevent avoidance of Federal income tax”; “. . . any other type of interest identified by the Secretary by regulation”; “. . . an appropriate portion (as determined in a manner prescribed by the Secretary) of the value . . . shall be deemed property within the United States.”

- ! § 13238 adding IRC § 7701(l) [re regulations relating to conduit arrangements]: “The Secretary may prescribe regulations recharacterizing any multiple-party financing transaction as a transaction directly among any 2 or more of such parties where the Secretary determines that such recharacterization is appropriate to prevent avoidance of any tax imposed by this title.”

- ! § 13241(h)(2)(B) and (h)(6)(C)(ii) [re excise taxes on transportation fuels] adding a note following IRC § 4081 [re method of payment]: “The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe Under regulations prescribed by the Secretary, principles similar to the principles of clause (i) shall apply to a group of persons under common control where 1 or more of such persons is not a corporation.”

- ! § 13242(a) amended IRC § 4081(c) [re taxable fuels mixed with alcohol]: “Under regulations prescribed by the Secretary [prescribing how to set the tax rate reduction]. . . .”

- ! § 13242(a) amended IRC § 4081(e) [re refunds in certain cases]: “Under regulations prescribed by the Secretary, if any person who paid the tax imposed by this section with respect to any taxable fuel establishes to the satisfaction of the Secretary that a prior tax was paid (and not credited or refunded) with respect to such taxable fuel, then an amount equal to the tax paid by such person shall be allowed as a refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by this section.”

- ! § 13242(a) amended IRC § 4082(a) and (c) [re exemptions for diesel fuel]: “The Secretary shall prescribe such regulations as may be necessary to carry out this section, including regulations requiring the conspicuous labeling of retail diesel fuel pumps and other delivery facilities to assure that persons are aware of which fuel is available only for nontaxable uses.”

- ! § 13242(a) amended IRC § 4091(c) [re tax on aviation fuel] “Under regulations prescribed by the Secretary [providing for reduced tax when part of fuel is alcohol]”

- ! § 13242(a) amended IRC § 4092(c) [re tax on aviation fuel sales to producer]: “Under regulations prescribed by the Secretary, the tax imposed by section 4091 shall not apply to aviation fuel sold to a producer of such fuel.”

- ! § 13243(c) [re application of floor stocks tax] (uncodified provision): “The tax imposed by this section shall be paid in such manner as the Secretary shall prescribe.”

- ! § 13245(b) and (e)(3)(B) [re application of floor stocks tax to commercial aviation fuel]: “The tax imposed by this section shall be paid in such manner as the Secretary shall prescribe Under regulations prescribed by the Secretary, principles similar to the principles of subparagraph (A) shall apply to a group of persons under common control where 1 or more of such persons is not a corporation.”

- ! § 13252 adding IRC § 6050P(a) [re returns relating to the cancellation of indebtedness by certain financial entities]: “. . . shall make a return (at such time and in such form as the Secretary may be regulations prescribe). . . .”

- ! § 13261(a) adding IRC § 197(f)(9) [re amortization of goodwill and other intangibles]: “For purposes of this subparagraph, the determination of whether the user of property changes as part of a transaction shall be determined in accordance with regulations prescribed by the Secretary.”

- ! § 13261(a) adding IRC § 197(g): “The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including such

regulations as may be appropriate to prevent avoidance of the purposes of this section through related persons or otherwise.”

- ! § 13261(e) amending IRC § 1060(b) to authorize regulations, under prior law, to substitute the term “197 intangibles” in place of “goodwill or going concern value (or similar items).”
- ! § 13301 added IRC § 1396(d) [re qualified zone employee]: “. . . the aggregate value of assets leased by the employer which are used in such a trade or business (as determined under regulations prescribed by the Secretary) . . .”
- ! § 13302(a) added IRC § 1397D [re regulations for enterprise communities and empowerment zones]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of parts II and III including – (1) regulations limiting the benefit of parts II and III . . . [to prevent] an activity being 100 percent or more subsidized by the Federal Government, (2) regulations preventing abuse . . . [, and] (3) regulations dealing with inadvertent failures of entities to be enterprise zone businesses.”
- ! § 13421 adding note following IRC § 4131 [re floor stocks tax on vaccines]: “The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe by regulations.”

1994

VIOLENT CRIME CONTROL ACT P.L. 103-322

- ! § 20415 amending 6050I (g) to require clerks of criminal courts who receive more than \$10,000 in cash as bail for any individual to make a return (at such time as the Secretary may by regulations prescribe) and in such form as the Secretary may prescribe and give a copy to each person named in the return (at the time such time as the Secretary may prescribe).

SOCIAL SECURITY DOMESTIC EMPLOYMENT REFORM ACT OF 1994 P.L. 103-387

- ! § 2 creating IRC § 3510(e) and (f) to give the Secretary authority to prescribe such regulations as may be necessary or appropriate to carry out the purposes of the section. The regulations may treat domestic service employment taxes as taxes imposed by chapter 1 for purposes of coordinating the assessment and collection of the employment taxes with the employer's income taxes. The Secretary is authorized to enter into agreements with states to collect such state's unemployment taxes.

URUGUAY ROUND AGREEMENTS ACT P.L. 103-465

- ! § 136(b) amending IRC § 5007(b): "The internal revenue tax imposed by section 5001(a)(1) and (2) upon imported distilled spirits shall be collected by the Secretary and deposited as internal revenue collections, under such regulations as the Secretary may prescribe."
- ! § 701 amending IRC § 3402(r) to provide for regulations specifying alternate withholding procedures on Indian casino profits.
- ! § 702 amending IRC § 3402(p)(1) and (3) to provide for regulations prescribed by the Secretary for voluntary withholding on certain federal payments, certain non-wage payments, and unemployment compensation.
- ! § 732 amending IRC § 401(a)(17)(B) and 415(d) and 415(c)(1)(A) and 402(g)(5) and 408(k)(8) re cost of living adjustments.
- ! § 741 amending IRC § 731(c)(2)(B)(iv), (v), and (vi) to permit the regulations to alter the definition of marketable securities; also § 731(c)(3)(A)(ii), (c)(3)(B), (c)(3)(C)(i)(VII), (c)(3)(C)(ii)(II); (c)(7) to prevent avoidance.
- ! § 751 amending IRC § 412(l)(7)(C)(ii) to prescribe for plan years beginning after December 31, 1999, mortality tables to be used in determining current liability under this subsection; and to periodically review (at least every 5 years) any tables in effect and update the tables to reflect the actual experience of pension plans and projected trends in such experience.

- ! § 751 amending IRC § 412(l)(7)(C) (iii) to requiring separate mortality tables for the disabled for plan years beginning after December 31, 1995.
- ! § 751 adding IRC § 412(l)(9)(F): "The Secretary may prescribe such regulations as are necessary to carry out this paragraph [re liquidity requirements and definition of liquid assets and adjusted disbursements]."

1995

None

1996

OMNIBUS CONSOLIDATED RESCISSIONS AND APPROPRIATIONS ACT OF 1996, P.L. 104-134,

- ! § 31001 (Debt Collection Improvement Act) adding IRC § 6050P(e), which provided an alternative procedure for executive, judicial, or legislative agencies to submit to the IRS (at such time and in such form as the Secretary may by regulations prescribe) information sufficient for the Secretary to complete such a return on behalf of such agency.

TAXPAYER BILL OF RIGHTS 2, P.L. 104-168,

- ! § 202, amending IRC § 6159 to require the Secretary to establish procedures for an independent administrative review of terminations of installment agreements for taxpayers who request such a review.
- ! § 904 amending IRC § 6672 to require the Secretary to take such actions as may be appropriate to ensure that employees are aware of their responsibilities under the federal tax depository system, the circumstances under which employees may be liable for the penalty imposed by IRC § 6672, and the responsibility to promptly report to the IRS any failure to comply, including printing a warning on deposit coupon booklets and development of a special information packet, and instructions to IRS employees about the application of the penalty to voluntary board members.
- ! § 1101(a) amending IRC § 7805(b) to permit Secretary to apply regulations retroactively to prevent abuse or to correct procedural defects.
- ! § 1209 amending IRC § 7623 to authorize the Secretary, under regulations, to pay such sums as deemed necessary for detecting underpayments of tax and detecting and bringing to trial and punishment persons guilty of violating the internal revenue laws or conniving at the same in cases where such expenses are not otherwise provided for by law.
- ! § 1210 amending IRC § 7502 to permit the Secretary to specify “designated delivery services” for purposes of the timely-mailing-as timely-filing rule.
- ! § 1311 adding IRC § 4958(c)(2) to permit the Secretary to prescribe regulations defining “excess benefit transaction” to include any transaction in which the economic benefit provided to or for the use of a disqualified person is determined in whole or in part by the revenues of 1 or more activities of the organization but only if such transaction results in inurement not permitted under IRC § 501(c)(3) or (4).

- ! § 1312 adding IRC § 6033(b)(11) and (12) to permit IRS to require information on excess benefit transactions and disqualified persons on annual information returns of exempt organizations.
- ! § 1313 amending IRC § 6104(e)(1) to require regulations about what constitutes making a return widely available and what constitutes a harassment campaign.

SMALL BUSINESS JOB PROTECTION ACT OF 1996, P.L. 104-188

- ! § 1116 adding IRC § 6050R to require a return in the form the Secretary may prescribe; §1120(c) permits election in the form and manner Secretary may prescribe re IRC § 168(e)(3); § 1201 amends IRC § 51 (Work Opportunity Tax Credit) to require the Secretary to prescribe the form of the prescreening notice to be used by employers.
- ! §1302(d) adding IRC § 641(d)(3) [re special rules for taxation of electing small business trusts] to permit only certain deductions “to the extent provided in regulations, State or local income taxes or administrative expenses to the extent allocable to items described in clauses (i) and (ii).”
- ! § 1306 amending IRC § 1377(a)(2) [re taxation of S corporations]: “Under regulations prescribed by the Secretary, if any shareholder terminates the shareholder’s interest in the corporation during the taxable year and all affected shareholders and the corporation agree to the application of this paragraph, paragraph (1) shall be applied to the affected shareholders as if the taxable year consisted of 2 taxable years the first of which ends on the date of the termination.”
- ! §1307(a) amending IRC § 6037(c)(4) [re definition of subchapter S item]: “The term ‘subchapter S item’ means any item of an S corporation to the extent that regulations prescribed by the Secretary provide that, for purposes of this subtitle, such item is more appropriately determined at the corporation level than at the shareholder level.”
- ! §1307(b): “If a partnership return is filed for any taxable year but it is determined that there is no entity for such taxable year, to the extent provided in regulations, rules similar to the rules of subsection (a) shall apply.”
- ! §1316 adding IRC § 512(e) [re rules for exempt-organizations holding S corporation stock]: “Except as provided in regulations, for purposes of paragraph (1), the basis of any stock acquired by purchase (within the meaning of section 1012) shall be reduced by the amount of any dividends received by the organization with respect to the stock.”
- ! § 1451 amending IRC § 417(a)(7) to permit IRS to limit the application of the general rule (which permits a plan to provide an explanation of joint and survivor annuities after the annuity starting date), except that the regulations may not limit the period of time by which the annuity starting date precedes the provision of the written explanation other than by providing that the annuity starting date may not be earlier than termination of employment.

- ! § 1457 requiring the Secretary (1) to develop sample language for inclusion in a form for spousal consent required under IRC § 417(a)(2) and ERISA § 205(c)(2) written in a manner to be understood by the average person and disclosing whether the waiver is irrevocable or may be revoked by a qualified domestic relations order and (2) to develop sample language for inclusion in a QDRO described in IRC § 414(p)(1)(A) and (3) publicity for the sample language.
- ! § 1461(a) adding IRC § 415(e)(5)(C) to add rules about ministers participating in non-denominational plans. The Secretary is to prescribe regulations as may be necessary or appropriate to carry out the purpose of, and prevent the abuse of, the subparagraph.
- ! § 1462(b) permitting the Secretary of the Treasury to design nondiscrimination and coverage safe harbors for church plans.
- ! § 1603 amending IRC § 512(b)(17)(C) to require the Secretary to prescribe such regulations as may be necessary or appropriate to carry out the purposes of UBIT rules relating to foreign income, including regulations for the application of the rules in the case of income paid through 1 or more entities or between 2 or more chains of entities.
- ! §1604 adding IRC § 167(g) [re depreciation under the income forecast method]: “For purposes of this subsection, except as provided in regulations, the term ‘recomputation year’ means . . .”
- ! § 1609(h)(2) codifying as a note following IRC § 4091 [re floor stocks tax on aviation fuel]: “The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe”; § 1609(h)(5)(A) requiring the Secretary to prescribe form for applying for exemption; § 1609(h)(5)(C) requiring the Secretary to prescribe rules for nonincorporated persons under common control.
- ! § 1612 adding IRC § 817A(e): “The Secretary may prescribe regulations– (1) to provide for the treatment of market value adjustments under sections 72, 7702, 7702A, and 807(e)(1)(B), (2) to determine the interest rates applicable under sections 807(c)(3), 807(d)(2)(B), and 812 with respect to a modified guaranteed contract annually, in a manner appropriate for modified guaranteed contracts and, to the extent appropriate for such a contract, to modify or waive the applicability of section 811(d), (3) to provide rules to limit ordinary gain or loss treatment to assets constitution reserves for modified guaranteed contracts (and not other assets) of the company, (4) to provide appropriate treatment of transfers of assets to and from the segregated account, and (5) as may be necessary or appropriate to carry out the purposes of this section.”
- ! § 1613 amending IRC § 118(c) [re contributions in aid of construction]: “The term ‘contribution in aid of construction’ shall be defined by regulations prescribed by the Secretary, except that such term shall not include amounts paid as service charges for starting or stopping services.”

- ! § 1616 amending IRC § 593(g)(8) [relating to repeal of bad debt loss reserve method for thrift savings associations]: “The Secretary shall prescribe such regulations as may be necessary to carry out this subsection and subsection (e), including regulations providing for the application of such subsections in the case of acquisitions, mergers, spin-offs, and other reorganizations.”

- ! § 1621 [relating to financial asset securitization investment trusts] adding new IRC § 860I(c): “The Secretary may prescribe regulations which –(1) provide that gain otherwise recognized before the earliest date on which such property supports any regular interest in which such FASIT or any indebtedness of the holder of the ownership interest (or of any person related to such holder), and (2) provide such adjustments to the other provisions of this part to the extent appropriate in the context of the treatment provided under paragraph (1)”;
- § 860I(d)(1)(A) requires valuation of certain debt instruments shall be determined in the manner provided by regulations prescribed by the Secretary;
- § 860K(e) provides that “the yield to maturity of any equity interest shall be determined under regulations prescribed by the Secretary”;
- § 860L(a)(6): “Except as provided in regulations prescribed by the Secretary, any asset which is a permitted asset at the time acquired by a FASIT shall not be treated at any time as an interest in such FASIT”;
- § 860L(b) permits the Secretary to add to definition of “regular interest” with a variable rate and maturity date;
- § 860L(c) permits the Secretary to add to definition of “permitted asset”;
- § 860L(c) permits the Secretary to reduce grace period on foreclosure property;
- § 860L(f) [coordination with other provisions] permits the Secretary to provide exceptions by regulation;
- § 860L(h): “Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this part, including regulations to prevent the abuse of the purposes of this part through transactions which are not primarily related to securitization of debt instruments by a FASIT.”;
- § 1621(e) [treatment of existing securitization entities]: “Property shall be allocated to a pre-FASIT interest in such manner as the Secretary of the Treasury may prescribe . . .”

TECHNICAL CORRECTIONS AMENDMENTS RELATED TO REVENUE RECONCILIATION ACT OF 1990

- ! § 1702(b)(7) permitting Secretary to prescribe regulations to carry out purposes of IRC § 5041(c) including regulations “to prevent the credit from benefitting any person who produces more than 250,000 wine gallons of wine during a calendar year”

- ! § 1702(e)(11)(A) amending IRC § 2702(a)(3)(A) to add “to the extent that regulations provide that such transfer is not inconsistent with the purposes of this section”

- ! § 1702(f)(2) amending IRC § 2701(a)(4)(B)(i) to insert “(or, to the extent provided in regulations, the rights as to either income or capital)” after “income and capital.”

- ! § 1702(f)(11)(A) amending IRC § 2702(a)(3)(A): “. . . to the extent that regulations provide that such transfer is not inconsistent with the purposes of this section.”

- ! § 1703(i)(3) amending IRC § 956A(f) to require “regulations coordinating the provisions of subsections (c)(3)(A) and (d).”
- ! § 1704(h) amending IRC § 860E: “The preceding sentence shall not apply to any organization to which section 592 applies, except to the extent provided in regulations prescribed by the Secretary under paragraph (2).”
- ! § 1801 amending IRC § 4082(c)(2) (exemptions from diesel fuel dyeing requirement): “. . . the use of which is certified pursuant to regulations issued by the Secretary.”
- ! § 1803 amending IRC § 4682(d)(1) to add as a note: “The Secretary of the Treasury, after consultation with the Administrator of the Environmental Protection Agency, shall develop a certification system to ensure compliance with the recycling requirement for imported halon under section 4682(d)(1) of the Internal Revenue Code of 1986, as amended by paragraph 1.”
- ! § 1806 adding IRC § 529(c)(3)(D) [re Qualified State Tuition Programs]: “For purposes of applying section 72, (i) to the extent provided by the Secretary, all qualified State tuition programs of which an individual is a designated beneficiary shall be treated as one program, (ii) all distributions during a taxable year shall be treated as one distribution, and (iii) the value of the contract, income on the contract, and investment in the contract shall be computed as of the close of the calendar year in which the taxable year begins.”
- ! § 1806 adding IRC § 529(d): “Each officer or employee having control of the qualified State tuition program or their designee shall make such reports as the Secretary may require regarding such distribution to the Secretary and to the designated beneficiary or the individual to whom the distribution was made. Any such report shall include such information as the Secretary may prescribe.” Reports are to be filed at the time and in the manner the Secretary prescribes.
- ! § 1807 adding IRC § 23(f)(2)(B) [re credit for adoption expenses]: “The Secretary may, in lieu of the information referred to in subparagraph (A), require other information meeting the purposes of subparagraph (A), including identification of any agent assisting with the adoption”; § 23(h): “The Secretary shall prescribe such regulations as may be appropriate to carry out this section and section 137, including regulations which treat unmarried individuals who pay or incur qualified adoption expenses with respect to the same child as 1 taxpayer for purposes of applying the dollar limitation in subsection (b)(1) of this section and in section 137(b)(1).”
- ! § 1901 adding IRC § 6048 (returns of foreign trusts): IRC § 6048(b)(1) requires U.S. grantors of foreign trusts to make a return containing specified information “and such other information as the Secretary may prescribe”; IRC § 6048(c)(2): “To the extent provided in regulations, the preceding sentence [re failure to provide adequate records to determine proper tax treatment of distributions] shall not apply if the foreign trust elects to be subject to rules similar to the rules of subsection (b)(2)(B).”

- ! IRC § 6048(d)(2): “To the extent provided in regulations, a trust which is a United States person shall be treated as a foreign trust for purposes of this section and section 6677 if such trust has substantial activities, or holds substantial property, outside the United States.”

- ! IRC § 6048(d)(3): “. . . at such time and in such manner as the Secretary shall prescribe.” IRC § 6048(d)(4): “The Secretary is authorized to suspend or modify any requirement of this section if the Secretary determines that the United State has no significant tax interest in obtaining the required information.”

- ! § 1903 amending IRC § 679(d) (re foreign trusts having U.S. beneficiaries): “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.” [also references to regulations in IRC § 679(a)(3)].

- ! §1904 amending IRC § 672(f)(2) and (f)(3): “Except as otherwise provided in regulations prescribed by the Secretary . . .”; (f)(4): “The Secretary may recharacterize such transfer in such circumstances as the Secretary determines to be appropriate to prevent the avoidance of the purposes of this subsection”; (f)(6): “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations providing that paragraph (1) shall not apply in appropriate cases.” [re foreign persons not treated as owners under grantor trust rules].

- ! §1904(b)(1) [re credit for certain taxes] amending IRC § 665(d)(2): “Under regulations prescribed by the Secretary, in the case of any foreign trust of which the settlor or another person would be treated as owner of any portion of the trust under subpart E but for section 672(f), the term ‘taxes imposed on the trust’ includes the allocable amount of any income, war profits, and excess profits taxes imposed by any foreign country or possession of the United States on the settlor or such other person in respect of trust income.”

- ! § 1904(b)(2) amending IRC § 901(b)(5): “Under rules or regulations prescribed by the Secretary, in the case of any foreign trust of which the settlor or another person would be treated as owner of any portion of the trust under subpart E but for section 672(f), the allocable amount of any income, war profits, and excess profits taxes imposed by any foreign country or possession of the United States on the settlor or such other person in respect of trust income.”

- ! § 1905 adding IRC § 6039F [re notice of large gifts received from foreign persons]. IRC § 6039F(a): “Such United States person shall furnish (at such time and in such manner as the Secretary shall prescribe) such information as the Secretary may prescribe regarding each foreign gift received during such year”; IRC § 6039F(c): “[Penalty for failure to file information] the tax consequences of the receipt of such gift shall be determined by the Secretary”; IRC § 6039F(e): “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”

- ! § 1906 [re foreign trusts which are not grantor trusts] amending IRC § 643(a)(7): “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this part, including regulations to prevent avoidance of such purposes.”
- ! IRC § 643(i)(1) [re loans from foreign trusts]: “Except as provided in regulations, if a foreign trust makes a loan of cash or marketable securities directly or indirectly to . . . the amount of such loan shall be treated as a distribution by such trust to such grantor or beneficiary (as the case may be).” IRC § 643(i)(2)(B) [re family allocation rules]: “If any person described in paragraph (1)(B) is related to more than one person, the grantor or beneficiary to whom the treatment under this subsection applies shall be determined under regulations prescribed by the Secretary.”

P.L. 104-191 HEALTH INSURANCE PORTABILITY ACT

- ! § 321 adding IRC § 7702B [re treatment of long-term care insurance]: IRC § 7702B(c)(2)(ii) (definition of chronically ill individual) “having a level of disability similar (as determined under regulations prescribed by the Secretary in consultation with the Secretary of Health and Human Services) to the level of disability described in clause (i).” IRC § 7702B(c)(4) (definition of licensed health care practitioner) “or other individual who meets such requirements as may be prescribed by the Secretary.” IRC § 7702B(d)(3) (aggregation rules) “any remaining limitation shall be allocated among the other such persons in such manner as the Secretary shall prescribe.” IRC § 7702B(e) (coverage provided as part of a life insurance contract) “Except as otherwise provided in regulations prescribed by the Secretary. . .”
- ! § 323 adding IRC § 6050Q (reporting requirement for long-term care benefits) “Any person who pays long term care benefits shall make a return, according to the forms or regulations prescribed by the Secretary, . . .”
- ! § 401(a) adding IRC § 9801(e)(3) [re increased portability of group health plans through limitations on preexisting conditions]: “The Secretary shall establish rules to prevent an entity’s failure to provide information under paragraph (1) or (2) with respect to previous coverage of an individual from adversely affecting any subsequent coverage of the individual under another group health plan or health insurance coverage.”
- ! § 401 adding IRC § 9806 [re group health plan portability, access, and renewability requirements]: “The Secretary, consistent with section 104 of the Health Care Portability and Accountability Act of 1996, may promulgate such regulations as may be necessary or appropriate to carry out the provisions of this chapter. The Secretary may promulgate any interim final rules as the Secretary determines are appropriate to carry out this chapter.”
- ! § 401(c)(4) [re group health plan portability, access, and renewability requirements]: “The Secretary of the Treasury, consistent with section 104, shall

first issue by not later than April 1, 1997, such regulations as may be necessary to carry out the amendments made by this section.”

- ! § 511 amending IRC § 877 [re tax treatment of expatriates]. IRC § 877(b)(2)(D): “An individual is described in this subparagraph if the individual is described in a category of individuals prescribed by regulation by the Secretary.” IRC § 877(c)(2)(D): “To the extent provided in regulations prescribed by the Secretary, subparagraph (B) shall be applied by substituting the 15-year period beginning 5 years before the loss of United States citizenship for the 10-year period referred to therein.” IRC § 877(c)(2)(E): “To the extent provided in regulations prescribed by the Secretary –(i) the removal of appreciated tangible personal property from the United States, and (ii) any other occurrences which (without recognition of gain) results in a change in the source of the income or gain from property from sources within the United States to sources outside the United States, shall be treated as an exchange to which this paragraph applies.” IRC § 877(d)(4)(D) [re anti-abuse regulations]: “The Secretary shall prescribe such regulations as may be necessary to prevent the avoidance of the purposes of this paragraph, including where– (i) the property is sold to the corporation, and (ii) the property taken into account under subparagraph (A) is sold by the corporation.” IRC § 877(d)(4)(E): “The Secretary shall require such information reporting as is necessary to carry out the purposes of this paragraph.” IRC § 877(e)(4) and (5) [treatment of permanent residents as expatriates]: “(4) This subsection shall not apply to an individual who is described in a category of individuals prescribed by regulation by the Secretary (5) The Secretary shall prescribe such regulations as may be appropriate to carry out this subsection, including regulations providing for the application of this subsection in cases where an alien individual becomes a resident of the United States during the 10-year period after being treated as provided in paragraph (1).”
- ! § 512 adding IRC § 6039F(b) [re information on individuals losing U.S. citizenship]: “. . . such other information as the Secretary may prescribe.” IRC § 6039F(g): “The Secretary may by regulations exempt any class of individuals from the requirements of this section if he determines that applying this section to such individuals is not necessary to carry out the purposes of this section.”

1997

BALANCED BUDGET ACT OF 1997, P.L. 105-33

- ! § 9302 amending IRC § 5704(b) [re tobacco products labeling for export]: “Tobacco products and cigarette papers and tubes may not be transferred or removed under this subsection unless such products or papers and tubes bears such marks, labels, or notices as the Secretary shall by regulations prescribe.” Also adding IRC § 5754 [re restriction on importation of previously exported tobacco products]: “For purposes of this section, section 5704(d), section 5761, and such other provisions as the Secretary may specify by regulations, references to exportation shall be treated as including a reference to shipment to the Commonwealth of Puerto Rico.” Also adding note following IRC § 5701 [re exempting cigarettes held in vending machines from tax]: “To the extent provided in regulations prescribed by the

Secretary, no tax shall be imposed by paragraph (1) on cigarettes held for retail sale on any tax increase date, by any person in any vending machine.” Also adding [re method of payment]: “The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe by regulations.”

- ! § 11024(c) adding a note to IRC § 6103 [re exchange of information for verification of D.C. retirement benefits]: “The Secretary may issue regulations governing the confidentiality of the information obtained pursuant to subsection (a) and the provisions of law amended by subsection (b).”

TAXPAYER RELIEF ACT OF 1997, P.L. 105-34

- ! § 201 adding IRC § 25A(i) [re Hope and Lifetime Learning credits]: “The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations providing for recapture of the credit allowed under this section in cases where there is a refund in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.” Also adding IRC § 6050S(g) [re returns relating to higher education tuition and related expenses]: “The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section. No penalties shall be imposed under part II of subchapter B of chapter 68 with respect to any return or statement required under this section until such time as such regulations are issued.” [also references to regulations in IRC § 6050S(a), (e), and (f)].
- ! § 311(a) amending IRC § 1(h)(11)[re treatment of pass-thru entities and capital gains]: “The Secretary may prescribe such regulations as are appropriate (including regulations requiring reporting) to apply this subsection in the case of sales and exchanges by pass-thru entities (as defined in paragraph (10)(C) and of interests in such entities.”
- ! § 311(c) amending IRC § 904(b)(2) [re coordination with capital gains rates]: “The Secretary may by regulations modify the application of this paragraph and paragraph (3) to the extent necessary to properly reflect any capital gain rate differential under 1(h) or 1201(a) and the computation of net capital gain.”
- ! § 312 amending IRC § 121 [re exclusion of gain from sale of principal residence]: “This subsection shall apply to any sale or exchange if— . . . such sale or exchange is by reason of a change in place of employment, health, or, to the extent provided in regulations, unforeseen circumstances.”
- ! § 312 amending IRC § 6045(e) [re nonrecognition of gain on sales of certain principal residences]: “The Secretary may by regulation increase the dollar amounts under this subparagraph if the Secretary determines that such an increase will not materially reduce revenues to the Treasury.”
- ! § 312 amending IRC § 1038(e) [re reacquisition of a principal residence]: “If . . .(2) within 1 year after the date of the reacquisition of such property by the seller, such property is resold by him, then under regulations prescribed by the Secretary,

subsections (b), (c), and (d) of this section shall not apply to the reacquisition of such property and, for purposes of applying section 121, the resale of such property shall be treated as a part of the transaction constituting the original sale of such property.”

- ! § 502 amending IRC § 2033A(g) [re noncitizen heirs]: “The term ‘qualified trust’ means a trust— . . . except as otherwise provided in regulations, with respect to which the trust instrument requires that at least 1 trustee of the trust be an individual citizen of the United States or a domestic corporation.”
- ! § 507 [re repeal of throwback rules applicable to certain domestic trusts] amending IRC § 655(c)(2): “For purposes of this subsection, the term ‘qualified trust’ means any trust other than—(A) a foreign trust (or, except as provided in regulations, a domestic trust which at any time was a foreign trust), or”
- ! § 911 adding IRC § 7508A(a) [re authority to postpone certain tax-related deadlines by reason of presidentially declared disaster]: “In the case of a taxpayer determined by the Secretary to be affected by a Presidentially declared disaster (as defined by section 1033(h)(3)), the Secretary may prescribe regulations under which a period of up to 90 days may be disregarded in determining, under the internal revenue laws, in respect of any tax liability (including any penalty, additional amount, or addition to the tax) of such taxpayer— (1) whether any of the acts described in paragraph (1) of section 7508(a) were performed within the time prescribed therefor, and (2) the amount of any credit or refund.”
- ! § 912 amending IRC § 165(i)(4): “Nothing in this title shall be construed to prohibit the Secretary from prescribing regulations or other guidance under which an appraisal for the purpose of obtaining a loan of Federal funds or a loan guarantee from the Federal Government as a result of a Presidentially declared disaster (as defined by section 1033(h)(3)) may be used to establish the amount of any loss described in paragraph (1) or (2).”
- ! § 933 adding IRC § 1301(c) [re averaging of farm income]: “The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations regarding— (1) the order and manner in which items of income, gain, deduction, or loss, or limitations on tax, shall be taken into account in computing the tax imposed by this chapter on the income of any taxpayer to whom this section applies for any taxable year, and (2) the treatment of any short taxable year.”
- ! § 935 [re moratorium on regulations]: “No temporary or final regulation with respect to the definition of a limited partner under section 1402(a)(13) of the Internal Revenue Code of 1986 may be issued or made effective before July 1, 1998.”
- ! § 941 adding IRC § 198(g) [re expensing of environmental remediation costs]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”

- ! § 1001 adding IRC § 1259(c)(1)(E) [re constructive sales treatment for appreciated financial positions]: “A taxpayer shall be treated as having made a constructive sale of an appreciated financial position if the taxpayer (or a related person)— . . .(E) to the extent prescribed by the Secretary in regulations, enters into 1 or more other transactions (or acquires 1 or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.” IRC § 1259(f): “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”

- ! § 1001 amending IRC § 475(e)(2)(D) [re election to mark to market for securities dealers]: “. . . or such other time as the Secretary may by regulations prescribe”; IRC § 475(f)(1) [re election of mark to market for traders in securities or commodities]: “The Secretary may provide by regulations for the application of this subparagraph at times other than the times provided in this subparagraph.”

- ! § 1002 amending IRC § 351(e)(1)(B) [re determination of whether a company is an investment company]: “The Secretary may prescribe regulations that, under appropriate circumstances, treat any asset described in clauses (i) through (v) as not so listed.” (Clauses (v) through (viii) also provide “to the extent provided in regulations” or “except as otherwise provided”).

- ! § 1003 amending IRC § 1233(h) [re treatment of short sales where property has become substantially worthless]: “To the extent provided in regulations prescribed by the Secretary, the preceding sentence also shall apply with respect to any option with respect to property, any offsetting notional principal contract with respect to property, any futures or forward contract to deliver any property, and any other similar transaction”; [re notification]: “. . . the date which is 3 years after the date the Secretary is notified by the taxpayer (in such manner as the Secretary may by regulations prescribe) . . .”

- ! § 1004 amending IRC § 1272(a)(6) [re determination of original issue discount where pooled debt obligations subject to acceleration]: “To the extent provided in regulations prescribed by the Secretary, in the case of a small business engaged in the trade or business of selling tangible personal property at retail, clause (iii) shall not apply to”

- ! § 1005 adding IRC § 163(l)(5) [re disallowance of deduction on certain debt instruments of corporations]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations preventing avoidance of this subsection through the use of an issuer other than a corporation.”

- ! § 1011 amending IRC § 1059(e)(1) [re treatment of partial liquidations and certain redemptions]: “Except as otherwise provided in regulations— . . .”

- ! § 1012 adding IRC § 355(e)(3)(A) [re recognition of gain on certain distributions of stock or securities in connection with acquisitions]: “Except as provided in regulations, the following acquisitions shall not be treated as described in paragraph

(2)(A)(ii):. . .”; § 355(e)(3)(B): “Except as provided in regulations, . . . or any other transaction specified in regulations by the Secretary, the shareholders . . . shall be treated as acquiring stock in the corporation from which the assets were acquired”; § 355(e)(4)(C) [re attribution rules]: “Except as provided in regulations, section 318(a)(2)(C) shall be applied without regard to the phrase ‘50 percent or more in value’ for purposes of the preceding sentence”; § 355(e)(4)(E) [re statute of limitations]: “The statutory period for the assessment of any deficiency attributable to any part of the gain recognized under this subsection by reason of such distribution shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may by regulations prescribe) that such distribution occurred, . . .”; § 355(e)(5) [re recognition of gain]: “The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations— . . . where there is more than 1 controlled corporation . . . where necessary to prevent the avoidance of such purposes, and (C) providing for the application of rules similar to the rules of subsection (d)(6) where appropriate for purposes of paragraph (2)(B)”; § 355(f): “Except as provided in regulations. . . .”

- ! § 1013 amending IRC § 304(b)(5)(A) and (B) and (C) [re acquisitions by foreign corporations]: “The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of this paragraph.”
- ! § 1014 adding IRC § 355(g)(4) [re preferred stock treated as boot]: “The Secretary may prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection and sections 354(a)(2)(C), 355(a)(3)(D), and 356(e). The Secretary may also prescribe regulations, consistent with the treatment under this subsection and such sections, for the treatment of non qualified preferred stock under other provisions of this title.”
- ! § 1014 adding IRC § 354(a)(2)(C)(ii) [re recapitalizations of family-owned corporations]: “For purposes of this clause, except as provided in regulations, the term ‘family-owned corporation’ means any corporation which is described . . .”
- ! § 1021 [re reporting certain payments made to attorneys] noncodified provision following IRC § 6045: “The regulations providing an exception under section 6041 of the Internal Revenue Code of 1986 for payments made to corporations shall not apply to payments of attorneys’ fees.”
- ! § 1022 adding IRC § 6041A(d)(3) [re decrease of threshold for reporting payments to corporations performing services for federal agencies]: “. . . such other services as the Secretary may specify in regulations prescribed after the date of the enactment of this paragraph.”
- ! § 1031 adding IRC § 4261(e)(3)(C) [airport and airway trust fund taxes]: “The Secretary shall prescribe rules which reallocate items of income, deduction, credit, exclusion, or other allowance to the extent necessary to prevent the avoidance of tax imposed by reason of this paragraph. The Secretary may prescribe rules which exclude from the tax imposed by subsection (a) amounts attributable to mileage awards which are used other than for transportation of persons by air.”

- ! § 1032 amending IRC § 4082(d)(1) and (2) and (3) [re exemption of aviation grade kerosene from dyeing requirements]: “Subsection (a)(2) shall not apply to a removal, entry, or sale of aviation-grade kerosene (as determined under regulations prescribed by the Secretary) if the person receiving the kerosene is registered . . .” [similar provisions for use for non-fuel feedstock purposes, for wholesale distributors, for sales not for use in motor fuels, for blending with heating oil].
- ! § 1034 adding IRC § 4251(d) [re application of communications tax to prepaid telephone cards]: “In the case of any prepaid telephone card which entitles the user other than to a specified dollar amount of use, the face amount shall be determined under regulations prescribed by the Secretary.”
- ! § 1042 setting out as a note following IRC § 833 [re termination of exceptions from rules about exempt organizations providing commercial-type insurance]: “The Secretary of the Treasury or his delegate may prescribe rules for providing proper adjustments for organizations described in subsection (b) with respect to short taxable years which begin during 1998 by reason of section 843 of the Internal Revenue Code of 1986.”
- ! § 1051 amending IRC § 954(c)(2)(C) [re definition of foreign personal holding company exception for dealers]: “Except as provided in subparagraph (A), (E), or (G) of paragraph (1) or by regulations, in the case of a regular dealer in property (within the meaning of paragraph (1)(B)), forward contracts, option contracts, or similar financial instruments (including notional principal contracts and all instruments referenced to commodities), there shall not be taken into account in computing foreign personal holding income any item of income, gain, deduction, or loss from any transaction (including hedging transactions) entered into in the ordinary course of such dealer's trade or business as such a dealer.”
- ! § 1053 adding IRC § 901(k)(4)(C) [re holding period requirement for certain foreign taxes]: “The Secretary may prescribe such regulations as may be appropriate to carry out this paragraph, including regulations to prevent the abuse of the exception provided by this paragraph and to treat other taxes as qualified taxes.”
- ! § 1054 adding IRC § 894(c)(2) [re denial of treaty benefits for certain payments through hybrid entities]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to determine the extent to which a taxpayer to which paragraph (1) does not apply shall not be entitled to benefits under any income tax treaty of the United States with respect to any payment received by, or income attributable to any activities of, an entity organized in any jurisdiction (including the United States) that is treated as a partnership or is otherwise treated as fiscally transparent for purposes of this title”
- ! § 1084 amending IRC § 805(a)(4)(F) [re adjusted cash value definition for life insurance companies]: “(ii) For purposes of clause (i), the term ‘adjusted cash value’ means . . . or charges specified in regulations prescribed by the Secretary”

- ! § 1085 adding IRC § 6695(g) [re penalty for income tax preparers failing due diligence test with respect to earned income tax credit]: “Any person who is an income tax return preparer with respect to any return or claim for refund who fails to comply with due diligence requirements imposed by the Secretary by regulations with respect to determining eligibility for, or the amount of, the credit allowable by section 32 shall pay a penalty of \$100 for each such failure.”
- ! § 1086 amending IRC § 167(g)(6)(E) [re limitation on property for which income forecast method of depreciation may be used]: “. . . other property specified in regulations.”
- ! § 1089 amending IRC § 664(d)(4)(B) [re charitable remainder trusts]: “If . . . such contribution would . . . result in the such trust ceasing to be a charitable unitrust by reason of paragraph (2)(D), such contribution shall be treated as a transfer to a separate trust under regulations prescribed by the Secretary.”
- ! § 1102 amending IRC § 986(a)(3) [re authority to use average exchange rates in translating foreign taxes]: “To the extent prescribed in regulations, the average exchange rate for the period (specified in such regulations) during which the taxes or adjustment is paid may be used instead of the exchange rate as of the time of such payment.”
- ! § 1105 amending IRC § 904(d)(4)(C)(ii)(II) [re foreign tax credit for certain dividends]: “The Secretary may prescribe regulations regarding the treatment of distributions out of earnings and profits for periods prior to the taxpayer’s acquisition of such stock.”
- ! § 1112 adding IRC § 961(c) [re basis adjustments in stock held by foreign corporations]: “Under regulations prescribed by the Secretary, if a United States shareholder is treated under section 958(a)(2) as owing any stock in a controlled foreign corporation which is actually owned by another controlled foreign corporation, adjustments similar to the adjustments provided by subsections (a) and (b) shall be made to the basis of such stock . . . but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary may prescribe by regulations.”
- ! § 1113 amending IRC § 960(a)(1) [re deemed paid credit]: “. . . except to the extent provided in regulations, section 902 shall be applied as if the amount so included were a dividend paid by such foreign corporation . . .”
- ! § 1122 adding IRC § 1296 [re election of mark to market for marketable stock]. § 1296(e)(1): “To the extent provided in regulations” marketable stock can include foreign stock and certain options . . .”; § 1296(g): “Except as provided in regulations” stock owned in or through foreign entities will be treated as owned directly; IRC § 852(b)(10) [re treatment of losses on stock in passive foreign investment companies]: “. . . to the extent provided in regulations.”
- ! § 1131 adding IRC § 684(a) [re recognition of gain on certain transfers to certain foreign trusts and estates]: “Except as provided in regulations, in the case of any

transfer of property by a United States person to a foreign estate or trust, for purposes of this subtitle, such transfer shall be treated as a sale or exchange. . .”

- ! § 1131 adding IRC § 1135(c): “To the extent provided in regulations, subsection (a) shall not apply to any exchange having the effect of transferring property to any person other than a United States person.”
- ! § 1131 adding IRC § 721(c): “The Secretary may provide by regulations that subsection (a) shall not apply to gain realized on the transfer of property to a partnership if such gain, when recognized, will be includible in the gross income of a person other than a United States person.”
- ! § 1131 amending IRC § 367(d)(3) [re regulations relating to transfers of intangibles to partnerships]: “The Secretary may provide by regulations that the rules of paragraph (2) also apply to the transfer of intangible property by a United States person to a partnership in circumstances consistent with the purposes of this subsection.” IRC § 367(f): “To the extent provided in regulations, if a United States person transfers property to a foreign corporation as paid-in surplus or as a contribution to capital (in a transaction not otherwise described in this section), such transfer shall be treated as a sale or exchange . . .”
- ! § 1141 adding IRC § 6031(e)(2) [re certain foreign partnerships required to file returns]: “Except as provided in regulations prescribed by the Secretary . . .”
- ! § 1142 amending IRC § 6038(b)(3) [re information reporting with respect to certain foreign corporations and partnerships]: “. . . to the extent provided in regulations” (definition of 50% interest in partnership).
- ! § 1144 amending IRC § 6038B(a) [re transfers of property to foreign partnerships subject to information reporting]: “. . . or in any other contribution described in regulations prescribed by the Secretary.”
- ! § 1151 amending IRC § 7701(a)(4) [re determination of foreign or domestic status of partnerships]: “. . . unless, in the case of a partnership, the Secretary provides otherwise by regulations.”
- ! § 1161 amending transition rule in § 1907(a) of the Small Business Job Protection Act of 1996, a note following IRC § 7701 [re transition rule for certain trusts]: “To the extent prescribed in regulations by the Secretary of the Treasury or his delegate, a trust which was in existence on August 20, 1996 (other than a trust treated as owned by the grantor under subpart E of part I of subchapter J of chapter 1 of the Internal Revenue Code of 1986), and which was treated as a United States person on the day before the date of the enactment of this Act may elect to continue to be treated as a United States person notwithstanding section 7701(a)(30)(E) of such Code.”
- ! § 1175 amending IRC § 954(h)(2)(C) [re exemption for income derived in the active conduct of banking, financing, or similar businesses]: “The Secretary shall prescribe regulations consistent with the principles of section 904(d)(3) which

provide that dividends, interest, income equivalent to interest, rent, or royalties received or accrued from a related person . . . shall be subject to look-thru treatment for purposes of this subsection.”

- ! § 1205 amending IRC § 6311(a) [re accepting payment by credit cards]: “It shall be lawful for the Secretary to receive for internal revenue taxes . . . any commercially acceptable means that the Secretary deems appropriate to the extent and under the conditions provided in regulations prescribed by the Secretary.” § 6311(d): “The Secretary shall prescribe such regulations as the Secretary deems necessary to receive payment by commercially acceptable means . . .”
- ! § 1213 adding IRC § 110(d) [re qualified lessee construction allowances for short-term leases]: “Under regulations, the lessee and lessor described in subsection (a) shall, at such times and in such manner as may be provided in such regulations, furnish to the Secretary– (1) information concerning the amounts received (or treated as a rent reduction) and expended as described in subsection (a), and (2) any other information which the Secretary deems necessary to carry out the provisions of this section.”
- ! § 1221 adding IRC § 772(c)(5) [re minimum tax treatment of large electing partnerships]: “Except as provided in regulations, the applicable net AMT adjustment shall be treated, for purposes of section 53, as an adjustment or item of tax preference not specified in section 53(d)(1)(B)(ii).”
- ! § 1221 adding IRC § 773(a)(3)(B)(iv) [re limitations applied at partner level] “Any other provision specified in regulations.”
- ! § 1221 adding IRC § 775 [re electing large partnership defined]: “To the extent provided in regulations, a partnership shall cease to be treated as an electing large partnership for any partnership taxable year if in such taxable year fewer than 100 persons were partners in such partnership.”
- ! §1221 adding IRC § 777 [re simplification provisions for electing large partnerships]: “The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this part.”
- ! § 1222 [re simplified audit procedures for electing large partnerships] adding IRC § 6242(d)(5) [re procedures for taking partnership adjustments into account]: “Under regulations, appropriate adjustments in the application of this section shall be made for purposes of taking into account partnership adjustments which involve a change in the character of any item of income, gain, loss, or deduction.”
- ! § 1222 adding IRC § 6255(d) [re audit procedures for electing large partnerships]: “If a partnership ceases to exist before a partnership adjustment under this subchapter takes effect, such adjustment shall be taken into account by the former partners of such partnership under regulations prescribed by the Secretary.”
- ! § 1222 adding IRC § 6255(g): “The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this subchapter, including

regulations– (1) to prevent abuse through manipulation of the provisions of this subchapter, and (2) providing that this subchapter shall not apply to any case described in section 6231(c)(1) (or the regulations prescribed thereunder) where the application of this subchapter to such a case would interfere with the effective and efficient enforcement of this title.”

- ! § 1224 amending IRC § 6011(e)(2) [re partnerships returns]: “Notwithstanding the preceding sentence, the Secretary shall require partnerships having more than 100 partners to file returns on magnetic media.”
- ! § 1233 amending IRC § 6229(b)(2) [re partnerships in bankruptcy]: “Such agreement shall be binding on all partners in the partnership unless the Secretary has been notified of the bankruptcy proceeding in accordance with regulations prescribed by the Secretary.”
- ! § 1251 amending IRC § 857(f) [re taxation of real estate investment trusts]: “Each real estate investment trust shall each taxable year comply with regulations prescribed by the Secretary for the purposes of ascertaining the actual ownership of the outstanding shares, or certificates of beneficial interest, of such trust.”
- ! § 1254 amending IRC § 857(b)(3)(D) [re treatment of shareholders of real estate investment trusts of undistributed capital gains]: “(v) The earnings and profits of such real estate investment trust, and the earnings and profits of any such shareholder which is a corporation, shall be appropriately adjusted in accordance with regulations prescribed by the Secretary.”
- ! § 1258 [re treatment of hedging instruments] adding IRC § 856(c)(5)(G): “Except to the extent provided by regulations, . . .” (hedging income qualifies as real estate investment income).
- ! § 1312 amending IRC § 2056A(c)(3) [re qualified domestic trust rules]: “To the extent provided in regulations prescribed by the Secretary, the term ‘trust’ includes other arrangements which have substantially the same effect as a trust.”
- ! § 1314 amending IRC § 2056A(a)(1) (A) [re authority to waive requirement of United States trustee of qualified domestic trust]: “Except as provided in regulations prescribed by the Secretary”
- ! § 1412 amending IRC § 5175(c) [re authority to cancel or credit export bonds without submission of records]: “. . . if there is such proof of exportation as the Secretary may be regulations require.”
- ! § 1414 amending IRC § 5053(f) [re removal for use as distilling material]: “Subject to such regulations as the Secretary may prescribe, beer may be removed from a brewery without payment of tax to any distilled spirits plant for use as distilling material.”
- ! § 1414 amending IRC § 5056(c) [re beer received at a distilled spirits plant]: “The brewer may be relieved of liability therefor, under regulations as the Secretary may

prescribe, if such beer is received on the bonded premises of a distilled spirits plan pursuant to the provisions of section 5222(b)(2), for use in the production of distilled spirits.”

- ! § 1418 added IRC § 5053(g)(1) [re withdrawal of beer for use of foreign embassies]: “Subject to such regulations as the Secretary may prescribe— beer may be withdrawn”
- ! § 1419 added IRC § 5053(h) [re removal for destruction]: “Subject to such regulations as the Secretary may prescribe, beer may be removed from the brewery without payment of tax for destruction.”
- ! § 1420 amending IRC § 5055 [re drawback of tax on beer]: “. . . if there is such proof of exportation as the Secretary may by regulations require.”
- ! § 1421 adding IRC § 5418 [re beer imported in bulk]: “Beer imported or brought into the United States in bulk containers may, under such regulations as the Secretary may prescribe, be withdrawn from customs custody and transferred in such bulk containers to the premises of a brewery without payment of the internal revenue tax imposed on such beer.”
- ! § 1422 adding IRC § 5364 [re wine imported in bulk]: “Wine imported or brought into the United States in bulk containers may, under such regulations as the Secretary may prescribe, be withdrawn from customs custody and transferred in such bulk containers to the premises of a bonded wine cellar without payment of the internal revenue tax imposed on such wine.”
- ! § 1434 adding IRC § 4052(g) [re retail tax on heavy trucks]: “The Secretary shall prescribe regulations which permit, in lieu of any other certification, persons who are purchasing articles taxable under this subchapter for resale or leasing in a long-term lease to execute a statement (made under penalties of perjury) on the sale invoice that such sale is for resale. The Secretary shall not impose any registration requirement as a condition of using such procedure.”
- ! § 1504 adding note following IRC § 403 [re repeal of rules in IRC § 415(e)]: “The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to reflect the amendment made by section 1452(a) of the Small Business Job Protection Act of 1996. Such modification shall take effect for years beginning after December 31, 1999.”
- ! § 1509 adding uncodified provision [re clarification of disqualification rules relating to acceptance of rollover contributions]: “The Secretary of the Treasury or his delegate shall clarify that, under the Internal Revenue Service regulations protecting pension plans from disqualification by reason of the receipt of invalid rollover contributions under section 402(c) of the Internal Revenue Code of 1986, in order for the administrator of the plan receiving any such contribution to reasonably conclude that the contribution is a valid rollover contribution it is not necessary for

the distributing plan to have a determination letter with respect to its status as a qualified plan under section 401 of such Code.”

- ! § 1510 [re new technologies in retirement plans]: “Not later than December 31, 1998, the Secretary of the Treasury and the Secretary of Labor shall each issue guidance which is designed to--(1) interpret the notice, election, consent, disclosure, and time requirements (and related recordkeeping requirements) under the Internal Revenue Code of 1986 and the Employee Retirement Income Security Act of 1974 relating to retirement plans as applied to the use of new technologies by plan sponsors and administrators while maintaining the protection of the rights of participants and beneficiaries, and (2) clarify the extent to which writing requirements under the Internal Revenue Code of 1986 relating to retirement plans shall be interpreted to permit paperless transactions.”

TECHNICAL CORRECTIONS TO SMALL BUSINESS JOBS PROTECTION ACT

- ! § 1601(a) amending IRC § 1361(b)(3) [re definition of S corporation]: “Except as provided in regulations prescribed by the Secretary, for purposes of this title . . .”
- ! § 1601(i) adding note following IRC § 7701 [re effective date related to subtitle I of SBJPA]: “The Secretary of the Treasury may by regulations or other administrative guidance provide that the amendments made by section 1907(a) of the Small Business Job Protection Act of 1996 shall not apply to a trust with respect to a reasonable period beginning on the date of the enactment of such Act, if . . . and such trust meets such other conditions as the Secretary may require.”

P.L. 105-206 INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998

- ! § 1102 amending IRC § 7811(a) [re authority to issue taxpayer assistance orders]: “Upon application filed by a taxpayer with the Office of the Taxpayer Advocate (in such form, manner, and at such time as the Secretary shall by regulations prescribe), the National Taxpayer Advocate may issue a Taxpayer Assistance Order if— . . . the taxpayer meets such other requirements as are set forth in regulations prescribed by the Secretary.”
- ! § 2003 amending IRC §7502(c)(2) [re alternative methods for filing returns]: “The Secretary is authorized to provide by regulations the extent to which the provisions of paragraph (1) with respect to prima facie evidence of delivery and the postmark date shall apply to certified mail and electronic filing.”
- ! § 2003 adding a note following IRC § 6011 [re electronic filing of other information]: “In the case of taxable period beginning after December 31, 1999, the Secretary of the Treasury or the Secretary’s delegate shall, to the extent practicable, establish procedures to accept, in electronic form, any other information, statements, elections, or schedules, from taxpayers filing returns electronically, so that such taxpayers will not be required to file any paper.”
- ! § 2004 adding note following IRC § 6012 [re return-free system]: “The Secretary of the Treasury or the Secretary’s delegate shall develop procedures for the implementation of a return-free tax system under which appropriate individuals would be permitted to comply with the Internal Revenue Code of 1986 without making the return required under section 6012 of the such Code for taxable years beginning after 2007.”
- ! § 2005 adding note following IRC § 6103 [re electronic access to account information]: “Not later than December 31, 2006, the Secretary of the Treasury or the Secretary’s delegate shall develop procedures under which a taxpayer filing returns electronically . . . would be able to review the taxpayer’s account electronically . . .”
- ! § 3201 adding IRC § 6105(d)(3)(B) [re innocent spouse rules]: “Under rules prescribed by the Secretary, an item otherwise allocable to an individual under subparagraph (A) shall be allocated to the other individual filing the joint return to the extent the item gave rise to a tax benefit on the joint return to the other individual.” § 6105(g): “The Secretary shall prescribe such regulations as are necessary to carry out the provisions of this section, including— (1) regulations providing methods for allocation of items other than the methods under subsection (d)(3); and (2) regulations providing the opportunity for an individual to have notice of, and an opportunity to participate in, any administrative proceeding with respect to an election made under subsection (b) or (c) by the other individual filing the joint return.”

- ! § 3509 amending IRC § 6110(i)(2) [re chief counsel advice]: “The Secretary may by regulation provide that this section shall apply to any advice or instruction prepared and issued by the Office of Chief Counsel which is not described in paragraph (1).”

- ! § 3703 adding note re IRC § 6311 [re payment of taxes]: “The Secretary ... shall establish such rules, regulations, and procedures as are necessary to allow payment of taxes by check or money order made payable to the United States Treasury.”

- ! § 3711 adding IRC § 6402(e)(6) and (7) [re offsets of federal overpayments against state income tax underpayments]: “The Secretary shall issue regulations prescribing the time and manner in which States must submit notices of past-due, legally enforceable State income tax obligations and the necessary information that must be contained in or accompany such notices. The regulations shall specify the types of State income taxes and the minimum amount of debt to which the reduction procedure established by paragraph (1) may be applied. The regulations may require States to pay a fee to reimburse the Secretary for the cost of applying such procedure. Any fee paid the Secretary . . . Any State receiving notice from the Secretary that an erroneous payment has been made to such State . . . shall pay promptly to the Secretary, in accordance with such regulations as the Secretary may prescribe . . .”

- ! § 6004 amending IRC § 6050S [re reporting requirements for Hope and Lifetime Learning credits]: “Any person. . . except as provided in regulations, which is engaged in a trade or business and, in the course of which, receives from any individual interest aggregating \$600 or more for any calendar year on one or more qualified education loans, shall make the return described in subsection (b) with respect to the individual at such time as the Secretary may by regulations prescribe.”

- ! § 6005 amending IRC § 1(h)(11) [re maximum capital gains rate]: “The Secretary may prescribe such regulations as are appropriate (including regulations requiring reporting) to apply this subsection in the case of sales and exchanges by pass-thru entities and of interests in such entities.”

- ! § 6010(d) adding IRC § 304(b)(6) [re redemptions through related corporations]: “In the case of any acquisition to which subsection (a) applies in which the acquiring corporation or the issuing corporation is a foreign corporation, the Secretary shall prescribe such regulations as are appropriate in order to eliminate a multiple inclusion of any item in income by reason of this subpart and to provide appropriate basis adjustments . . .”

- ! § 6010(h) amending IRC § 4082(d)(1) [re aviation-grade kerosene]: “Subsection (a)(2) shall not apply to aviation-grade kerosene (as determined under regulations prescribed by the Secretary) which the Secretary determines is destined for use as a fuel in an aircraft.”

- ! § 7003 amending IRC § 475(g)(3) [re mark to market]: “REGULATIONS.— . . . to prevent the use by taxpayers of subsection (c)(4) to avoid the application of this

section to a receivable that is inventory in the hands of the taxpayer (or a person who bears a relationship to the taxpayer described in sections 267(b) of 707(b)).”

P.L. 105-277 OMNIBUS CONSOLIDATED AND EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 1999 [TAX AND TRADE RELIEF EXTENSION ACT OF 1998]

- ! § 1004 amending IRC § 6104(d)(4)[re expanded inspection of private foundation’s annual returns]: “Paragraph (1)(B) shall not apply to any request if, in accordance with regulations promulgated by the Secretary, the organization has made the requested documents widely available, or the Secretary determines, upon application by an organization, that such request is part of a harassment campaign and that compliance with such request is not in the public interest.”
- ! § 1005 amending IRC § 954(h) [re subpart F exemption for active financing income] There are references to regulations in definitions of “predominantly engaged”and “located.” Paragraph 9 states, “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, subsection (c)(1)(B)(i), subsection (c)(2)(C)(ii), and the last sentence of subsection (e)(2).
- ! § 1005 adding IRC § 953(e)(6) [re definition of home country]: “For purposes of this subsection, except as provided in regulations— . . . --The term `home country’ means, . . .”
- ! § 1005 adding IRC § 953(e)(7)(E) [re income derived from the insurance business]: “The Secretary may prescribe rules for the allocation of contracts (and income from contracts) among 2 or more qualifying insurance company branches of a qualifying insurance company in order to clearly reflect the income of such branches . . .” IRC § 953(e)(9) [re income derived from the insurance business]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection and section 954(i).”
- ! § 1005 adding IRC § 954(c)(2)(C) [re exception for dealers]: “Except as provided by regulations, in the case of a regular dealer in property which is property described in paragraph (1)(B), forward contracts, option contracts, or similar financial instruments (including notional principal contracts and all instruments referenced to commodities), there shall not be taken into account in computing foreign personal holding company income . . .”
- ! § 4006 amending IRC § 6103(j)(5) [re disclosure to the Secretary of Agriculture]: “Upon request in writing by the Secretary of Agriculture, the Secretary shall furnish such returns, or return information reflected thereon, as the Secretary may prescribe by regulation to officers and employees of the Department of Agriculture whose official duties require access to such returns or information for the purpose of, . . . structuring, preparing, and conducting the census of agriculture pursuant to the Census of Agriculture Act of 1997 . . .”

- ! § 5301 adding IRC § 451(h) [re tax treatment of cash option for qualified prizes]: “The Secretary shall provide for the application of this subsection in the case of a partnership or other passthrough entity consisting entirely of individuals described in paragraph (1).”

1999

P.L. 106-36 MISCELLANEOUS TRADE AND TECHNICAL CORRECTIONS ACT OF 1999

- ! § 3001(a) amending IRC § 357(d)(3) [re clarification of assumption of liability]: “The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and section 362(d). The Secretary may also prescribe regulations which provide that the manner in which a liability is treated as assumed under this subsection is applied, where appropriate, elsewhere in this title.”
- ! § 3001(b) amending IRC § 362(d) [re treatment of gain not subject to tax]: “Except as provided in regulations, if– (A) gain is recognized to the transferor as a result of an assumption of a nonrecourse liability by a transferee which is also secured by assets not transferred to such transferee; and (B) no person is subject to tax under this title on such gain, then, for purposes of determining basis under subsections (a) and (b), the amount of gain recognized by the transferor as a result of the assumption of the liability shall be determined as if the liability assumed by the transferee equaled such transferee's ratable portion of such liability determined on the basis of the relative fair market values (determined without regard to section 7701(g)) of all of the assets subject to such liability.”

P.L. 106-58 TREASURY, POSTAL SERVICE, ETC. APPROPRIATIONS, 2000

- ! § 650(f) [establishment of an interactive program on the Internet where taxpayers can figure out how much of their tax money is going to certain government programs]: “The Secretary of the Treasury may prescribe such regulations as may be necessary to carry out this section.”

P.L. 106-170 TICKET TO WORK AND WORK INCENTIVES IMPROVEMENT ACT OF 1999 TITLE V--TAX RELIEF EXTENSION ACT OF 1999

- ! § 521(c) [relating to advance pricing agreements]: “The Secretary of the Treasury or the Secretary’s delegate shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of section 6103(b)(2)(C), and the last sentence of section 6110(b)(1), of the Internal Revenue Code of 1986, as added by this section.”
- ! § 532(a) amending IRC § 1221(b)(3) [re clarification of tax treatment of gain or loss on derivatives]: “The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of paragraph (6) and (7) of subsection (a) in

the case of transactions involving related parties.” [Those paragraphs also have references to regulations.]

- ! § 532(b) amending IRC §1256(e)(2) [re definition of hedging transaction]: “For purposes of this subsection, the term ‘hedging transaction’ means any hedging transaction (as defined in section 1221(b)(2)(A)) if, before the close of the day on which such transaction was entered into (or such earlier time as the Secretary may prescribe by regulations), the taxpayer clearly identifies such transaction as being a hedging transaction.”
- ! § 534 adding IRC § 1260(c), (d), (f), and (g) [re gains from constructive ownership] to authorize the Secretary to prescribe regulations to provide exceptions to the general definition of “financial asset” and “constructive ownership” and the rules about when a taxpayer takes delivery: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations--(1) to permit taxpayers to mark to market constructive ownership transactions in lieu of applying this section, and (2) to exclude certain forward contracts which do not convey substantially all of the economic return with respect to a financial asset.”
- ! § 535 amending IRC § 420(c)(3)(E) [re use of excess pension assets for retiree health coverage]: “The Secretary shall prescribe such regulations as may be necessary to prevent an employer who significantly reduces retiree health coverage during the cost maintenance period from being treated as satisfying the minimum cost requirement of this subsection.”
- ! § 537 amending IRC § 170(f)(10)(I) [re denial of charitable contribution deduction for transfers associated with split-dollar insurance arrangements]: “The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations to prevent the avoidance of such purposes.”
- ! § 538 amending IRC § 732(f)(8) [re basis of stock in another corporation distributed to a partner if the distributed corporation is controlled by a corporate partner]: “The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.”
- ! § 545 amending IRC § 857(b)(7)(F) [re 100% tax on improperly allocated amounts by REITs]: “The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.”

2000

P.L. 106-230 TO REQUIRE 527 ORGANIZATIONS TO DISCLOSE THEIR POLITICAL ACTIVITIES

- ! § 2(b) amending IRC § 6104(d) [re disclosure of exempt organization returns by the Internal Revenue Service]: “Any report filed by an organization under section 527(j) (relating to required disclosure of expenditures and contributions) shall be made available to the public at such times and in such places as the Secretary may prescribe.”

P.L. 106-519 FSC REPEAL AND EXTRATERRITORIAL INCOME EXCLUSION ACT OF 2000

- ! § 3(b) adding IRC §§ 941(a)(4) [re qualifying foreign trade income rules for marginal costing]: “The Secretary shall prescribe regulations setting forth rules for the allocation of expenditures in computing foreign trade income under paragraph (1)(C) in those cases where a taxpayer is seeking to establish or maintain a market for qualifying foreign trade property.”
- ! §3(b) adding IRC §§ 941(a)(5) [re qualifying trade income rules for participation in international boycotts, etc]: “Under regulations prescribed by the Secretary, the qualifying foreign trade income of a taxpayer for any taxable year shall be reduced (but not below zero) by the sum of – (A) an amount equal to such income multiplied by the international boycott factor determined under section 999, and (B) any illegal bribe, kickback, or other payment (within the meaning of section 162(c)) paid by or on behalf of the taxpayer directly or indirectly to an official, employee, or agent in fact of a government.”
- ! §3(b) adding IRC § 941(c)(2)(B) [re foreign trade income special rules for leased property]: “Except as provided in regulations, in the case of property which--(i) was manufactured, produced, grown, or extracted by the taxpayer, or (ii) was acquired by the taxpayer from a related person for a price which was not determined in accordance with the rules of section 482, the amount of foreign trade income which may be treated as foreign sale and leasing income under paragraph (1)(B) or subparagraph (A) of this paragraph with respect to any transaction involving such property shall not exceed the amount which would have been determined if the taxpayer had acquired such property for the price determined in accordance with the rules of section 482.”
- ! § 3(b) adding IRC § 942(c)(2) [re foreign trading company gross receipts]: “All related persons shall be treated as one person for purposes of paragraph (1), and the limitation under paragraph (1) shall be allocated among such persons in a manner provided in regulations prescribed by the Secretary.”
- ! §3(b) adding IRC § 943(b)(1)(B) [re grouping of transactions]: “To the extent provided in regulations, any provision of this subpart which, but for this subparagraph, would be applied on a transaction-by-transaction basis may be applied by the taxpayer on the basis of groups of transactions based on product lines

or recognized industry or trade usage. Such regulations may permit different groupings for different purposes.”

- ! §3(b) adding IRC § 943(c) [re source rule]: “Under regulations, in the case of qualifying foreign trade property manufactured, produced, grown, or extracted within the United States, the amount of income of a taxpayer from any sales transaction with respect to such property which is treated as from sources without the United States shall not exceed – . . .”
- ! § 3(b) adding IRC § 943(e)(4)(A) and (e)(4)(C) [re definitions and special rules]: “(A) This subsection shall not apply to an applicable foreign corporation if such corporation fails to meet the requirements (if any) which the Secretary may prescribe to ensure that the taxes imposed by this chapter on such corporation are paid.” (C): “The Secretary may by regulation designate one or more classes of corporations which may not make the election under this subsection.”
- ! § 3(b) adding IRC § 943(f)(1)(C) [re rules relating to allocations of qualifying foreign trade income from shared partnerships]: “. . . such partnership meets such other requirements as the Secretary may by regulations prescribe. ”

P.L. 106-554 COMMUNITY RENEWAL TAX RELIEF ACT OF 2000

- ! § 101(a) added IRC § 1400F(e) [re community renewal capital gain]: “The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the abuse of the purposes of this section.”
- ! §121(a) adding a new IRC § 45D(d) [re qualified low income community investments]: “. . . financial counseling and other services specified in regulations prescribed by the Secretary to businesses located in, and residents of, low-income communities, and . . .”
- ! § 121(a) adding new IRC § 45D(i) [re new markets tax credit]: “The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations--(1) which limit the credit for investments which are directly or indirectly subsidized by other Federal tax benefits (including the credit under section 42 and the exclusion from gross income under section 103), (2) which prevent the abuse of the purposes of this section, (3) which provide rules for determining whether the requirement of subsection (b)(1)(B) is treated as met, (4) which impose appropriate reporting requirements, and (5) which apply the provisions of this section to newly formed entities.”
- ! § 121(f) added noncodified language: “Not later than 120 days after the date of the enactment of this Act, the Secretary of the Treasury or the Secretary's delegate shall issue guidance which specifies-- (1) how entities shall apply for an allocation under section 45D(f)(2) of the Internal Revenue Code of 1986, as added by this section; (2) the competitive procedure through which such allocations are made; and (3) the

actions that such Secretary or delegate shall take to ensure that such allocations are properly made to appropriate entities.”

- ! § 309(c) adding noncodified provision [re application of comparable rules to partnerships and s corporations]: “The Secretary of the Treasury or his delegate-- (1) shall prescribe rules which provide appropriate adjustments under subchapter K of chapter 1 of the Internal Revenue Code of 1986 to prevent the acceleration or duplication of losses through the assumption of (or transfer of assets subject to) liabilities described in section 358(h)(3) of such Code (as added by subsection (a)) in transactions involving partnerships, and (2) may prescribe rules which provide appropriate adjustments under subchapter S of chapter 1 of such Code in transactions described in paragraph (1) involving S corporations rather than partnerships.”
- ! § 401(a) added IRC § 1234B(b) and (e) [re gains or losses from securities futures contracts]: “Except as provided in the regulations under section 1092(b) or this section, if gain or loss on the sale or exchange of a securities futures contract to sell property is considered as gain or loss from the sale or exchange of a capital asset, such gain or loss shall be treated as short-term capital gain or loss The Secretary shall prescribe such regulations as may be appropriate to provide for the proper treatment of securities futures contracts under this title.”
- ! § 401(i) added IRC § 7701(m) [re designation of contract markets]: “Any designation by the Commodity Futures Trading Commission of a contract market which could not have been made under the law in effect on the day before the date of the enactment of the Commodity Futures Modernization Act of 2000 shall apply for purposes of this title except to the extent provided in regulations prescribed by the Secretary.”

Examples of things not listed:

non-IRC regulations, such as customs regulations, regulations under title 31
studies and reports
inflation adjustments
form development
permitted waivers
individual determinations



Memorandum

January 25, 2000

TO : Joint Committee on Taxation
Attention: Mary Schmitt

FROM : Marie Morris
Legislative Attorney
American Law Division

SUBJECT : Types of Regulatory Guidance Issued During 2000

This memorandum looks at the types of regulations issued during calendar year 2000 by the Internal Revenue Service as reported in Internal Revenue Bulletins 2000-1 (dated January 3, 2000) through 2000-52 (dated December 26, 2000). Although this represents an entire year of Internal Revenue Bulletins, some of the work collected in these bulletins actually appeared in the Federal Register or other publications in December 1999, and some of the work published in the Federal Register in December 2000 will not appear in an Internal Revenue Bulletin until January 2001. Nevertheless, we believe that a year's worth of Internal Revenue Bulletins fairly represents a year's worth of regulations from the Internal Revenue Service.

During calendar year 2000 the Internal Revenue Service published 60 Treasury Decisions [TD], containing temporary and final regulations; 45 sets of proposed regulations; 64 notices; 100 announcements; 49 revenue procedures; and 58 revenue rulings. Notices and announcements are often in the nature of press releases. When they related to regulations, we tried to capture that information in the enclosed chart. Revenue procedures generally inform taxpayers about procedures for complying with the law; e.g., the first eight revenue procedures published in 2000 dealt with how to apply for rulings and/or technical advice on certain topics, user fees for making such requests, and areas where the IRS refuses to grant advance rulings. With one exception, revenue procedures and revenue rulings are not reported on the enclosed chart.

During calendar year 2000, most of the regulations or proposed regulations published were effective as of the date they were filed or published in the Federal Register. Since the Federal Register is published earlier than the Internal Revenue Bulletin, the effective date noted on the chart is often a week or two earlier than the date of the Internal Revenue Bulletin. Most of the proposed regulations had future effective dates. A few of the effective dates were retroactive for a long period. The earliest effective date we found was June 10, 1987 in Temporary and Proposed Regulations TD 8872 relating to transfers to RICs and REITs. The underlying legislative authority was the Tax Reform Act of 1986, and subsequent amendments.

Most of the regulations and proposed regulations published during 2000 derived from legislation passed during 1996 and 1997, but some related back to 1976 and 1982. Table 1 identifies the legislation to which various abbreviations relate, and identifies the number of times that legislation was referred to as a source of the guidance. We did not go outside the Internal Revenue Bulletins. For example, if the Internal Revenue Bulletin cited only the Internal Revenue Code section as the authority for the guidance, we did not do a legislative history to determine the underlying legislation.

A few of the projects went from proposed to final during the year, but most final regulations projects appeared to be one to three years old. Some of the issues have been being addressed in various forms since the 1970's and 1980's.

Table of Sources of Regulations in 2000

Tax Reform Act of 1976	TRA 1976	11
Subchapter S Revision Act of 1982	SSRA 1982	1
Tax Equity and Fiscal Responsibility Act of 1982	TEFRA 1982	1
Technical Corrections Act of 1982	TCA 1982	1
Tax Reform Act of 1984/Deficit Reduction Act of 1984	DRA 1984	11
Retirement Equity Act of 1984	REA 1984	11
Tax Reform Act of 1986	TRA 1986	1111111111
Technical and Miscellaneous Revenue Act of 1988	TAMRA 1988	111111111
Revenue Reconciliation Act of 1989/Omnibus Budget Reconciliation Act of 1989	RRA 1989 OBRA 1989	11
Energy Policy Act of 1992	EPA 1992	1
Unemployment Compensation Amendments of 1992	UCA 1992	111
Omnibus Reconciliation Act of 1993	OBRA 1993	111
Small Business Jobs Protection Act of 1996	SBJPA 1996	1111111111
Health Insurance Portability and Accountability Act of 1996	HIPAA 1996	1
Taxpayer Relief Act of 1997	TRA 1997	1111111111111111111111
Internal Revenue Service Restructuring and Reform Act of 1998	IRS RRA 1998	111111
Transportation Equity Act for the 21 st Century	TEA 21 1998	1
Tax and Trade Relief Extension Act of 1998	TTREA 1998	11
Ticket to Work and Work Incentives Improvement Act of 1999	TW&WIIA 1999	1

Regulations Published in Internal Revenue Bulletins 2000-1 to 2000-52

(Listed by Internal Revenue Bulletin Date)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Final Regs TD 8849: Separate Share Rules Applicable to Estates	IRC § 663(c); TRA 1997	1-10-2000	12-28-99	Proposed Regs (1-6-99); Ann. 2000-28 (3-23-2000)
Final Regs TD 8850: Information Reporting with respect to Certain Foreign Partnerships and Certain Foreign Corporations	IRC § 6308, 6308B	1-10-2000	12-29-99/ 1-1-2000	Proposed Regs (9-9-98); Final Regs (2-5-99)
Final Regs TD 8851: Return Requirement for U.S. Persons Acquiring or Disposing of an Interest in a Foreign Partnership, or Whose Proportional Interest in a Foreign Partnership Changes	IRC § 6046A	1-10-2000	12-29-99	Proposed Regs (9-9-98)
Final Regs TD 8852: Pass-Thru of Items to Shareholders	IRC § 1366, 1367, 1368; SSRA 1982, DRA 1984, TRA 1986, TAMRA 1988, SBJPA 1996	1-10-2000	8-18-1998	Proposed Regs (8-18-98); Ann. 2000-18 (3-27-2000); Ann. 2000-32 (3-28-2000)
Proposed Regs REG-106012-98: Definition of Contribution in Aid of Construction	IRC § 118(c); SBJPA 1996	1-10-2000	when final	
Effective Date of Proposed Regs §1.368-2(d)(4) Notice 2000-1	IRC § 368	1-10-2000	actions after 12-31- 99	Proposed Regs (6-14-99)
Corrections to TD 8846 Announcement 2000-3	IRC § 2055- 2056	1-10-2000	12-3-99	Final Regs (12-3-99)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Temporary and Proposed Regs TD 8854 REG-116704: Authorizing Disclosure of Return Information to the Dept. of Agriculture to Conduct the Census of Agriculture	IRC § 6103(j)(5); TTREA 1998	1-18-2000	1-4-2000 through 1-3-2003	
Final Regs TD 8856: Withholding Tax on Certain U.S. Source Income Paid to Foreign Persons	IRC § 1441-1443, and many others	1-18-2000	1-1-2001	Final Regs (10-14-97, 12-31-1998); Ann. 2000-31 (4-10-2000); TD 8881 (6-5-2000)
Proposed Reg REG-101492-98: Relief for Service in Combat Zone and for Presidentially Declared Disaster	IRC § 7508, 7508A; TRA 1997	1-18-2000	12-30-99	Ann. 2000-16 (3-20-2000)
Notice 2000-4: Exchange of MACRS Property for MACRS Property (Notice prior to regs, request for comments)	IRC §§ 168, 1031, 1033	1-18-2000	1-3-2000	
Final Reg TD 8853: Recharacterizing Fast-Pay Stock Arrangements	IRC § 7701(l)	1-24-2000	2-27-97	Notice 97-21 (2-27-97); Proposed Regs (1-6-99); Ann. 2000-33 (4-10-2000)
Final Reg TD 8855: Prepaid Telephone Cards	IRC § 4251	1-24-2000	1-7-2000	Proposed Regs (12-27-98)
Final Regs TD 8857: Determination of Underwriting Income	IRC § 832(b); TRA 1986	1-24-2000	1-5-2000	Proposed Regs (1-2-97)
Temporary Regs TD 8858: Purchase Price Allocations in Deemed and Actual Asset Acquisitions	IRC § 338, 1060	1-24-2000	1-6-2000	Proposed Regs (8-10-99)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Proposed Regs REG-105606-99: Credit for Increasing Research Activities	IRC § 41(f); RRA 1989	1-24-2000	12-30-99 and retroactive to prevent abuse	Final Regs (5- 17-89)
Correction to Final Regs Announcement 2000-6: Adequate Disclosure of Gifts	IRC § 6501	1-24-2000	12-3-99	TD 8845 (12-3- 99)
Final Regs TD 8859: Compliance Monitoring Low Income Housing Credit	IRC § 42	1-31-2000	1-1-2001 (earlier dates for some sections)	Proposed Regs (1-8-99); Ann. 2000-27 (4-10- 2000)
Final Regs TD 8860: Treatment of Income and Expense from Certain Hyperinflationary, Nonfunctional Currency Transactions	IRC § 988	1-31-2000	2-14-2000	Proposed Regs (3-17-92)
Final Regs TC 8861: Private Foundation Disclosure Rules	IRC § 6104(d); TTREA 1998	1-31-2000	3-13-2000	Proposed Regs (8-10-99)
Proposed Regs REG-103831-99: Allocation of Partnership Debt	26 CFR §§1.752-3 and 5	1-31-2000	date of final regs	Final Regs TD 8906 (10-31- 2000)
Proposed Regs REG-111119-99: Partnership Mergers and Acquisitions	IRC §§ 708, 743, 752	1-31-2000	date of final regs	
Proposed Reg REG-116567-99: Definition of Hyperinflationary Currency	IRC § 988	1-31-2000	date of final regs	
Final and Temporary Regs TD 8862: Foreign Corporations Stock Transfer Rules	IRC § 367(b)	2-7-2000	2-23-2000	Proposed and Temporary Regs (12-27- 77); Proposed Regs (8-26-91); Final Regs (6- 98)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Temporary Regs TD 8863: Foreign Corporations Supplemental Stock Transfer Rules	IRC § 367(b)	2-7-2000	2-23-2000	same as above
Final Regs TD 8866: Straddles–Equity Options with Flexible Terms	IRC § 1092	2-7-2000	1-25-2000	Proposed Regs (6-25-98)
Final Regs TD 8868: Termination of Puerto Rico and Possession Tax Credit	IRC § 936; SBJPA 1996	2-7-2000	1-25-2000	Temporary and Proposed Regs (8-19-98)
Final Regs TD 8869: S Corporation Subsidiaries	IRC § 1361; SBJPA 1996, TRA 1997	2-7-2000	1-20-2000	Proposed Regs (4-22-98); Notice 97-4 (1- 13-97); Ann. 2000-36 (4-17- 2000)
Proposed Regs REG-208254-90: Source of Compensation for Labor or Personal Services	IRC § 861	2-7-2000	when final	Final Regs (1967 and 1975)
Proposed Regs REG-105089-99: Treatment of Nonqualified Preferred Stock and Other in Certain Exchanges and Distributions	IRC §§ 354-356, 1036; TRA 1997	2-7-2000	when final	Temp Reg TD 8753 (1-6-98); Final Regs TD 8904 (10-16- 2000)
Proposed Regs REG-116048-99: Stock Transfer Rules – Supplemental Rules	IRC § 367(b)	2-7-2000	1-24-2000	TD 8863 (2-7- 2000)
Final and Temporary Regs TD 8864: Substantiation of Business Expenses	IRC § 274	2-14-2000	1-26-2000	Temporary and Proposed Regs (11-6-85; 3-25- 97; 10-1-98) Ann. 2000-26 (4-10-2000)
Final Regs TD 8865: Amortization of Intangible Property	IRC §§ 167(f), 197	2-14-2000	1-25-2000	Proposed Regs (1-6-97); Ann. 2000-37 (4-17- 2000)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Final Regs TD 8867: Passive Foreign Investment Companies; Definition of Marketable Stock	IRC § 1296	2-14-2000	1-25-2000	Proposed Regs (2-2-99); Ann. 2000-30 (4-10-2000)
Proposed Regs REG-113572-99: Qualified Transportation Fringe Benefits	IRC § 132(f); EPA 1992, TRA 1997, TEA 21 1998	2-14-2000		Notice 94-3; Ann. 2000-41 (4-17-2000)
Proposed Regs REG-100163-00: Applying Section 197 to Partnerships	IRC § 197	2-14-2000	when final	Proposed Regs (1-16-97); Final Regs TD 8907 (11-20-2000)
Final Regs TD 8870: General Rules for Making and Maintaining Qualified Electing Fund Elections	IRC § 1295; TRA 1986, TAMRA 1988, OBRA 1993, SBJPA 1996, TRA 1997	2-22-2000	2-7-2000	Temporary Regs (1-2-98); Ann. 2000-34 (4-10-2000)
Final and Temporary Regs TD 8871: Remedial Amendment Period for Qualified Plans	IRC § 401(b)	2-22-2000	2-4-2000	Temporary and Proposed Regs (8-1-97)
Temporary Regs TD 8872 Proposed Regs REG-209135-88: Certain Asset Transfers to RICs and REITs	IRC § 337; TRA 1986, TAMRA 1988	2-22-2000	6-10-87	Notice 88-19 (2-4-88)
Final Regs TD 8874: Travel and Tour Activities of Tax-Exempt Organizations	IRC § 513	2-22-2000	2-7-2000	Proposed Regs (4-23-98); Ann. 2000-29 (4-10-2000)
Proposed Regs REG-208280-86: Exclusions from Gross Income of Foreign Corporations	IRC § 883(a) and (c); TRA 1986, TAMRA 1988, OBRA 1989	2-22-2000	30 days after final rule	

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Proposed Regs REG-100276-97: Financial Asset Securitization Investment Trusts; Real Estate Mortgage Investment Conduits	IRC § 860H- 860L; SBJPA 1996	2-22-2000	when final	Ann. 2000-38, (4-17-2000)
Proposed Regs REG-103882-99: Depletion; Treatment of Delay	IRC § 612, 263A; TRA 1986, TAMRA 1988	2-22-2000		
Proposed Regs REG-105279-99: Extension of Due Date for Electronically Filed Information Returns; Limitation of Failure to Pay Penalty for Individuals During Period of Installment Agreement	IRC § 6071(b), 6651(h); IRS RRA 1998	2-22-2000	returns required to be filed after 12-31- 99	Final Regs TD 8895 (10-2- 2000)
Final Regs TD 8873: New Technologies in Retirement Plans	IRC §§ 402(f), 411(a)(11), 3405(e); TRA 1997	2-28-2000	1-1-2001	Proposed Regs (12-18-98); Notice 99-1, Ann. 99-6; Ann. 2000-74 (8-28-2000)
Proposed and Temporary Regs TD 8875 and REG-103736-00: Requirements to Maintain List of Investors in Potentially Abusive Tax Shelters	IRC § 6112	3-13-2000	2-28-2000	Ann. 2000-44 (4-24-2000)
Proposed and Temporary Regs TD 8876 and REG-110311-98: Corporate Tax Shelter Registration	IRC § 6111(d); TRA 1997	3-13-2000	2-28-2000	
Proposed and Temporary Regs TC 8877 and REG-103735-00: Tax Shelter Disclosure Statements	IRC § 6011(a)	3-13-2000	returns filed after 2-28-2000	Proposed and Temporary Regs TD 8896 (9-5-2000)
Correction to Final Regs Announcement 2000-13	IRC § § 743, 754, 755	3-13-2000	12-15-99	Final Regs TD 8847 (12-15- 99)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Proposed Regs REG-209601-92: Taxation of Tax-Exempt Organizations' Income from Corporate Sponsorship	IRC § 513; TRA 1997	3-20-2000	when final	Proposed Regs (1-22-93) (withdrawn); Ann. 2000-40 (4-17-2000)
Corrections to Proposed Regs Announcement 2000-16: Relief for Service in Combat Zone and for Presidentially Declared Disaster	IRC § 7508A	3-20-2000	Disasters declared after 12-30-99	Proposed Regs (1-18-2000)
Corrections to Final Regs Announcement 2000-18: Passthrough of Items of S Corporation to its Shareholders	IRC § 1366	3-27-2000	12-22-99	Final Regs TD 8852 (12-22-99)
Corrections to Final Regs Announcement 2000-24: Treatment of Distributions to Foreign Persons under section 367(e)(1) and (e)(2)	IRC § 367	4-3-2000	8-9-99	Final Regs TD 8834(8-9-99)
Corrections to Final Regs Announcement 2000-25: Use of Actuarial Table in Valuing Annuities, etc.	IRC § 7520	4-3-2000	5-1-99	Final Regs TD 8819 (4-30-99)
Proposed and Final Regs TD 8878 and REG-117162-99: Tax Treatment of Cafeteria Plans	IRC § 125; HIPAA 1996	4-10-2000	3-23-2000 Plan years beginning after 2000	Proposed Regs (5-7-84; 3-7-89); Temporary and Proposed Regs (11-7-97); Ann. 2000-92 (11-13-2000)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Corrections to Final Regs Announcements 2000-26, 2000-27, 2000-28, 2000-29, 2000-30, 2000-31, 2000-32, 2000-33, 2000-34	various	4-10-2000		Final Regs TD 8864 (2-14-2000); TD 8859 (1-31-2000); TD 8849 (1-10-2000); TD 8874 (2-22-2000); TD 8867 (2-14-2000); TD 8856 (1-18-2000); Ann. 2000-18 (3-27-2000); TD 8853 (1-24-2000); TD 8870 (2-22-2000)
Final Regs TD 8879: Kerosene Tax; Aviation Fuel Tax; Taxable Fuel Measurement and Reporting; Tax on Heavy Trucks and Trailers; Highway Vehicle Use Tax	IRC §§ 4041, 4052, 4081, 4091, 4101, 4482, 4483, 6011, 6081, 6420, 6421, 6427; TRA 1997, IRS RRA 1998	4-17-2000	3-31-2000	Temporary and Proposed Regs TD 8774 (7-1-98); Proposed Regs (3-14-96); Ann. 2000-53 (5-30-2000)
Proposed Regs REG-100291-00: Lifetime Charitable Lead Trusts	IRC §§ 170, 2522, 2055	4-17-2000	transfers on or after 4-4-2000	
Proposed Regs REG-107872-99: Coordination of Sections 755 and 1060 Relating to Allocation of Basis Adjustments Among Partnership Assets	IRC §§ 755, 1060(d); TRA 1986, TAMRA 1988, OBRA 1993	4-17-2000	when final	Temporary and Proposed Regs TD 8215 (7-88)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Proposed Regs REG-109101-98: Special Rules Regarding Optional Forms of Benefit Under Qualified Retirement Plans	IRC § 411(d)(6); REA 1984, UCA 1992	4-17-2000	when final	Final Regs (7- 8-88); Notice 98-29; Final Regs, TD 8900 (9-18-2000)
Corrections to Final Regs Announcements 2000-36, 2000- 37		4-17-2000		Final Regs TD 8869 (2-7- 2000); TD 8865 (2-14- 2000)
Corrections to Proposed Regs Announcements 2000-38, 2000- 40, 2000-41, 2000-42		4-17-2000		Proposed Regs REG-100276- 97 (2-22-2000); REG-209601- 92 (3-20-2000); REG-113572- 99 (2-14-2000); REG-209753- 95 (3-14-96)
Correction to Proposed Regs REG-103736-00		4-24-2000		Proposed Regs REG-103736- 00 (3-13-2000)
Final Regs TD 8880: Relief from Disqualification for Plans Accepting Rollovers	IRC § 401(a)(31); UCA 1992, TRA 1997	5-15-2000	4-21-2000	Final Regs TD 8619 9-22-95; Proposed Regs REG-245562- 96 (9-19-96); Amendment to Proposed Regs (12-17-98)
Advance Notice of Proposed Regs REG-111835-99: Regulations Governing Practice Before the IRS	31 U.S.C. § 330; Circular 230	5-30-2000		Many, e.g., Notice 84-4 (2- 23-84); Notice 85-18 (10-17- 85); Regs TD 8545 (6-20-94); Notice (6-15- 99)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Corrections to Final Regs Announcement 2000-53		5-30-2000		Final Regs TD 8879 (4-17-2000)
Amendments to Final Regs TD 8881: Withholding Tax on Nonresident Aliens	IRC §§ 1441-1443, 1461-1463, 6041, 6041A, 6042, 6045, 6049, 3406	6-5-2000	1-1-2001	Final Regs TD 8734 (1997); Final Regs TD 8804 (1999); TD 8856 (1-18-2000)
Final Regs TD 8882: Reorganizations; Nonqualified Preferred Stock	IRC § 356; TRA 1997	6-5-2000	5-16-2000	Temporary and Proposed Regs TD 8753 (1-6-98)
Final Regs TD 8883: Guidance Under Section 1032 Relating to the Treatment of a Disposition by an Acquiring Entity of the Stock of a Corporation in a Taxable Transaction	IRC § 1032	6-5-2000	5-16-2000	Rev. Rul 80-76; Proposed Regs (9-23-98); Ann. 2000-57 (7-10-2000); Notice 2000-56 (10-23-2000)
Proposed Regs REG-106186-98: Certain Corporate Reorganizations Involving Disregarded Entities	IRC § 368	6-5-2000	when final	
Proposed Regs REG-107644-98: Dollar-Value LIFO Regulations; Inventory Price Index Computation Method	IRC § 472	6-5-2000		Regulations TD 7814 (1982); Rev. Proc. 84-57; Rev. Proc 98-49; Ann. 2000-66 (8-7-2000)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Final Regs TD 8884: Consolidated Returns– Limitations on the Use of Certain Credits	IRC § 1502	6-12-2000	5-25-2000; parts apply to returns after 3-13- 98	Temporary and Proposed Regs TD 8751 (1-12- 98); Temporary Regs TD 8766 (1998); Final Regs TD 8833 (8-11-99); TD 8823 (7-2-99); Ann. 2000-73 (8-28-2000)
Final Regs TD 8885: Solely for Voting Stock Requirement in Certain Corporate Reorganizations	IRC § 368(a)(1)(C)	6-19-2000	12-31-1999	Proposed Regs (6-14-99); Notice 2000-1
Final Regs TD 8887: Deposits of Excise Taxes	IRC § 6302; SBJPA 1996; Airport & Airway Trust Fund Tax Reinstatement Act of 1997	6-26-2000	6-8-2000	Temporary and Proposed Regs TD 8740 (12- 29-97)
Final Regs TD 8886: Use of Actuarial Table in Valuing Annuities, Interest for Life or Terms of Years, and Remainder or Reversionary Interest	IRC § 7520; TAMRA 1988	7-3-2000	6-12-2000	Temporary and Proposed Regs TD 8819 (4-30- 99)
Final Regs TD 8888: Real Estate Mortgage Investment Conduits – Reporting Requirements and Other Administrative Matters	IRC § 6049	7-3-2000	6-16-2000	Proposed Regs REG-100905- 97 (May 19, 1999)
Proposed Regs REG-105316-98: Information Reporting for Payments of Qualified Tuition and Payments of Interest on Qualified Education Loans – Magnetic Media Filing Requirement for Information Returns	IRC § 6050S; TRA 1997, IRS RRA 1998	7-3-2000	returns filed after 12-31-2001	Notices 97-73, 98-46, 98-59, 99-37, 98-7, 98-54

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Corrections to final regulations Announcement 2000-57	IRC § 1032	7-10-2000	5-16-2000	TD8883 (5-16- 2000)
Final Regs TD 8889: Guidance Regarding Claims for Certain Income Tax Convention Benefits	IRC § 894	7-24-2000	6-30-2000	Temporary Regs TD 8722 (6-30-97)
Final Regs TD 8890: Definition of Grantor	IRC § 671	7-24-2000	7-5-2000	Proposed Regs (6-5-97); Proposed and Temporary Regs (8-10-99)
Final Regs TD 8893: Retention of Income Tax Return Preparers' Signatures	IRC § 6695	7-31-2000	7-18-2000	Final and Temporary Regs TD 8803 (12-31-98)
Withdraw Proposed Regs Announcement 2000-63: Bad Debt Reserves of Thrift Institutions	IRC § 593	7-31-2000	7-12-2000	Proposed Regs (1-13-92)
Final Regs TD 8891: Increase in Cash-Out Limit under Sections 411(a)(7), 411(a)(11), and 417(e)(1) for Qualified Retirement Plans	IRC §§ 411, 417; TRA 1997	8-7-2000	10-17-2000	Proposed, Temporary and Final Regs TD 8794 (12-21- 98)
Remove Temporary Regs TD 8892, Withdraw Proposed Regs Announcement 2000-68 Telefile Voice Signature Test	IRC § 6012, 6061, 6065	8-7-2000	7-18-2000	Temporary Regs (12-27- 93); Proposed Regs (12-27- 93); Ann. 2000-81 (10- 10-2000)
Corrections to Proposed Regs Announcement 2000-66: Dollar- Value LIFO Regs; Inventory Price Index Computation Method; Correction	IRC § 472	8-7-2000		Proposed Regs REG-107644- 98 (5-19-2000)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Final and Proposed Regs TD 8894: Loans from a Qualified Employer Plan to Plan Participants or Beneficiaries	IRC § 72(p); TEFRA 1982, TCA 1982, DRA 1984, TRA 1986, TAMRA 1988	8-14-2000	7-31-2000	Proposed Regs (12-21-95; 1-2-98)
Proposed Regs REG-116495-99: Loans from a Qualified Employer Plan to Plan Participants or Beneficiaries	IRC § 72(p); 414(u); SBJPA 1996	8-14-2000	Jan. 1 of year after final regs	Proposed Regs (12-21-95; 1-2-98); Final Regs TD 8894 (7-31-2000)
Proposed Regs REG-108522-00: Recognition of Gain on Certain Transfers to Certain Foreign Trusts and Estates	IRC § 684; TRA 1997	8-21-2000	8-7-2000	Ann. 2000-85 (10-23-2000) [correction]
Proposed Regs REG-209038-89: Foreign Trusts that Have U.S. Beneficiaries	IRC §§ 679, 958; TRA 1976, SBJPA 1996	8-21-2000	8-7-2000	Ann. 2000-96 (11-27-2000)
Corrections to Final Regs Announcement 2000-73: Consolidated Returns – Limitations on the Use of Certain Credits; Correction	IRC § 1502	8-28-2000	5-25-2000	TD 8884 (5-25-2000)
Corrections to Final Regs Announcement 2000-74: New Technologies in Retirement Plans – Correction	IRC § 402(f), 411(a)(11), 3405(e)(10(B))	8-28-2000	2-8-2000	TD 8873 (2-8-2000)
Proposed and Temporary Regs TD 8896 REG-103735-00 REG-110311-98 REG-103736-00: Modifications of Tax Shelter Rules	IRC §§ 6011, 6111, 6112	9-5-2000	8-11-2000	Temporary and Proposed Regs TD 8877 (2-28-2000)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Final Regs TD 8897: Rules for Property Produced in a Farming Business (Capitalization Rules)	IRC § 263A	9-5-2000	8-21-2000	Proposed and Temporary Regs TD 8131 (3-30-87; 8-7-87; 8-22-97); Notice 88-24, Notice 88-86; Ann. 2000-88 (10-30-2000)
Final Regs TD 8898: Continuity of Interest	IRC § 368	9-18-2000	8-30-2000	Final, Temporary and Proposed Regs TD 8760 and 8761 (1-28-98)
Final Regs TD 8899: Definition of a Qualified Interest in a Grantor Retained Annuity Trust and a Grantor Retained Unitrust	IRC § 2702	9-18-2000	9-5-2000	Proposed Regs (6-22-99); Ann. 2000-100 (11-28-2000)
Final Regs TD 8900: Special Rules Regarding Optional Forms of Benefit Under Qualified Retirement Plans	IRC § 411; REA 1984, UCA 1992	9-18-2000	9-6-2000	Final Regs (7-8-88); Notice 98-29; Proposed Regs REG-109101-98 (3-29-2000); Ann. 2000-71
Final Regs TD 8901: Qualified Lessee Construction Allowances for Short-Term Leases	IRC § 110	9-18-2000	10-5-2000/ can elect retroactive application to 8-5-97	Proposed Regs (9-20-99)
Intent to issue regulations Notice 2000-53: SRLY Election	IRC § 1502	9-18-2000	immediate	Final Regs (6-25-99)
Final Regs TD 8895: Extension of Due Date for Electronically Filed Information Returns; Limitation of Failure to Pay Penalty for Individuals During Period of Installment Agreement	IRC §§ 6701(b), 6651(h); IRS RRA 1998	10-2-2000	8-18-2000/ returns filed after 12-31-99	Proposed Regs REG-105279-99 (1-27-2000)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Proposed Regs REG-112502-00: Guidance Under Subpart F Relating to Partnerships	Subpart F; IRC § 954; <i>Brown Group, Inc. v. Commissioner</i> , 77 F.3d 217 (8 th Cir. 1996)	10-2-2000	when final	Proposed and Temporary Regs TD 8767 (3-26-98); Notice 98-35 (7-6-98); Proposed and Temporary Regs TD 8827 (7-13-99)
Final Regs TD 8902: Capital Gains, Partnership, Subchapter S, and Trust Provisions	IRC §§ 1(h), 741, 1223, 1250; TRA 1997, IRS RRA 1998	10-10-2000	9-21-2000	Proposed Regs (9-9-99)
Corrections to Final Regs Announcement 2000-81	IRC § 6012, 6061, 6065	10-10-2000	7-18-2000	TD 8892 (7-18-2000)
Final Regs TD 8903: Qualified Zone Academy Bonds; Obligations of States and Political Subdivisions	IRC § 1397E; TRA 1997 and TW&WIA 1999	10-16-2000	9-26-2000	Temporary Regs (1-7-98, 7-1-99)
Final Regs TD 8904: Treatment of Nonqualified Preferred Stock and Other Preferred Stock in Certain Exchanges and Distributions	IRC §§ 351, 354, 355, 356	10-16-2000	10-2-2000	Proposed Regs REG-105089-99 (1-26-2000)
Proposed Regs and Withdrawal of Proposed Regs REG-103805-99: Agent for Consolidate Group	IRC § 1502; <i>Interlake Corp v. Commissioner</i> , 112 T.C. 103 (1999); <i>Union Oil Co. v. Commissioner</i> , 101 T.C. 130 (1993); <i>Southern Pacific Co. V. Commissioner</i> , 84 T.C. 395 (1985)	10-16-2000	when final	Proposed Regs (7-31-84); Final, Temporary and Proposed Regs (9-8-88)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Proposed Regs REG-114697-00: Nondiscrimination Requirement for Certain Defined Contribution Retirement Plans	IRC § 401(a)(4)	10-23-2000	1-1-2002	26 CFR §1.401(a)(4)-8 and -9
Notice 2000-56 Rabbi Trusts	IRC § 1032	10-23-2000	6-15-2000/ 5-16-2001	Rev. Proc. 92-64; TD 8883 (5-16-2000)
Corrections to Proposed Regs Announcement 2000-85: Gain on Transfers to Certain Foreign Trusts	IRC § 684	10-23-2000		REG-108522 (8-7-2000)
Final Regs TD 8905: Preparer Due Diligence Requirements for Determining Earned Income Credit Eligibility	IRC § 6695(g); TRA 1997	10-30-2000	10-17-2000	Notice 97-65; Temporary and Proposed Regs TD 8798 (12-21-98)
Proposed Regs REG-246249-96: Information Reporting Requirements for Certain Payments Made on Behalf of Another Person, Payments to Joint Payees, and Payments of Gross Proceeds from Sales Involving Investment Advisers	IRC §§ 6041 and 6045	10-30-2000	first of calendar year after final regs	Proposed Regs (5-29-84) (many Rev. Rules)
Proposed Regs REG-105235-99: Exclusion of Gain from Sale or Exchange of Principal Residence	IRC §§ 121, 1398; TRA 1997 and IRS RRA 1998	10-30-2000	when final	
Proposed Regs REG-108553-00: Classification of Certain Pension and Employee Benefit Trusts, and Other Trusts	IRC §§ 401(a), 7701; SBJPA 1996 and TRA 1997	10-30-2000	after 8-20-96/ when final	Final Regs (2-2-99)
Rev. Rul 2000-49: Reporting Requirements for Section 527 Organizations	IRC § 527; P.L. 106-230 (7-1-2000)	10-30-2000		

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Correction to Removal of Final Regs Announcement 2000-88: Rules for Property Produced in a Farming Business	IRC § 263A	10-30-2000	8-21-2000	TD 8897 (9-5-2000)
Proposed Regs REG-106511-00 Estate Tax Return; Form 706, Extension to File	IRC §§ 6075, 6081	11-6-2000	when final	Final Regs 26 CFR § 20.6075-1 20.6081-1
Final Regs TD 8906: Allocation of Partnership Debt	IRC § 752	11-13-2000	10-31-2000	Proposed Regs REG-1038311-99 (1-13-2000)
Correction to Proposed Regs Announcement 2000-92	IRC § 125	11-13-2000		Proposed Regs REG-117162-99 (4-10-2000)
Proposed Regs REG-116050-99: Stock Transfer Rules; Carryover of Earnings and Taxes	IRC § 367(b)	11-27-2000	30 days after final regs	Proposed and Temporary Regs (12-27-77); Proposed Regs (8-26-91); Final Regs (6-98, 1-2000)
Corrections to Proposed Regs Announcement 2000-96: Foreign Trusts that Have U.S. Beneficiaries	IRC § 679	11-27-2000		REG-209038-89 (8-7-2000)
Final Regs TD 8907: Application of the Anti-Churning Rules for Amortization of Intangibles in Partnerships	IRC § 197; OBRA 1993	12-4-2000	11-20-2000 with retroactive elections to 8-10-93 or 7-25-91	Proposed Regs (1-16-97) and REG-100163-00 (1-25-2000)
Final Regs TD 8908: Disclosure of Return Information to the Bureau of the Census	IRC § 6103	12-18-2000	11-30-2000	Temporary and Proposed Regs TD 8811 (1-25-99)
Proposed Regs REG-107279-00: Rules Relating to General Definition of Dependent	IRC § 152	12-18-2000	taxable years after 2000	Final Regs TD 8839 (10-12-99)

Type of Guidance	Code Section/ Legislative Authority	Date of Internal Revenue Bulletin	Effective Date of Guidance	Previous/ Subsequent Guidance
Corrections to Regs Announcement 2000-100	IRC § 2702	12-18-2000		Final Regs TD 8899 (9-5- 2000)
Final, Temporary. and Proposed Regs TD 8909, REG-114423- 00: Federal Employment Tax Deposits – <i>De Minimis</i> Rule	IRC § 6302	12-26-2000	12-6-2000	Temporary Regs TD 8771 (6-18-98); Final Regs TD 8822 (6-17-99)

Explicit references to State law in the Internal Revenue Code:

In searching the Internal Revenue Code, we have located 116 sections which contain one or more references to State law. Many of these references are definitional, for instance bank means an institution chartered under State law, which might require some examination of State law if there were a question involving the definition, but in most instances would not tend to add to the complexity of the tax law. Some of the references are for purposes of even or uniform treatment. For instance, most of the references to community property laws are for the purpose of applying the tax provision in the same manner in community property States and common law States. Often, any need for examination of the State law would be concerning an issue which is secondary to the main concern of the particular section. Other times the reference to State law would require examination of that law by the IRS as opposed to the taxpayer. In either of these two situations, the complexity of the tax laws for the taxpayer is not greatly affected. Many of the references are to Federal or State law or a specific Federal law and any similar State law. With this type of reference, examination of State law would only be necessary when it is the basis for the taxpayer's action as opposed to the Federal statute. Finally, it should be noted that many, if not most, usages of State law in the Internal Revenue Code are not explicit and therefore not covered by the summary. For instance, most property, trust, and corporate law is State law. Therefore, reference in the Code to a trust or a corporation or a property interest of some type could require examination of State law and affect the complexity of the tax law even more than the explicit references described below.

Citations of references to State law in the Internal Revenue Code:

§21(b)(2)(C)(i), §23(d)((1)(B), §32(c)(2)(B)(i), §42(h)(6)(B)(vi) & (E), §45A(d)(3)(A)(iii), §51A(c)(1)(C)(i), §66(d)(3), §72(t)(2)(D)(i)(I) & (iii), §85(b), §101(f)(3)(A) & (G)(i), 104(a)(1) & (c), §105(e)(2), §108(f)(2)(C)(iii), §119(d)(4)(A)(i), §130(d), §144(a)(4)(C)(ii) & (c)(2)(A)(i), §146(e)(1) & (3), §147(f)(2)(E)(i)(II), §149(e)(2)(F), §150(d)(2)(B), §162(c)(2) & (n), §165(j)(3)(B) & (l)(3)(A) & (C) & (D) & (5)(B)(ii); §170(f)(10)(G), §172(f)(B)(ii), §192(e), §219(f)(2), §220(b)(4)(C) & (c)(2)(B)(ii) & (d)(2)(B)(ii)(III), §273, §280A(c)(4)(B), §280E, §303(b)(2)(B), §401(a)(33)(A), §402(e)(4)(D)(iii), §403(b)(2)(D)(ii), §408(g) & (m)(3)(A)(iv) & (n), §412(c)(4), §414(d) & (p), §415(b)(2)(F) & (H) & (10) & (11) & (m) & (n), §416(e), §448(d)(4)(A), §457(b) & (e)(1) & (7), §460(c)(2), §468(d)(2)(A)(ii) & (B), §501(c)(16) & (21)(D)(i) & (27) & (n)(3), §507(g)(2), §513(d)(2)(B), §514(c)(2)(C), §521(b)(3), §530(f), §581, §584(a)(1)(B)(i), §591, §594(a), §816(b)(3)(A), §817(d)(1), §817A(d)(1), §832(b)(7)(E) & (e)(1), §833(c)(3)(B) & (4)(B), §851(f), §864(e)(5)(C)(iii) & (D)(ii), §871(i)(3)(B), §879(c)(2), §911(b)(2)(C), §932(d), §992(a)(1), §1014(b)(6), §1055(c)(2), §1250(a)(1)(B) & (2)(B), §1396(d)(3)(A)(ii), §1402(a)(5), §2032A(e)(10), §2053(a) & (d), §2057(i)(3)(I), §2652(d)(3), §2701(a)(2), §2704(b)(3)(B), §3121(b)(13), §3123, §3302, §3303, §3304, 3305, §3306, 3307, §3309, §3402(q)(3)(B), §3405(e)(6), §4401(a)(1), §4402(1) & (2), §4422, §4481(b), §4483(d)(5)(B)(i)(II) & (6) & (e)(2), §4906, §4980(d)(6), §5145, §5551(b)(2), §6015(a), §6049(b)(4)(H), §6103, §6104(c), §6111(c)(1)(B)(i), §6166(b)(2)(B), §6311(d)(3), §6323(f), §6334(a)(4) & (7), §6338(b), §6408, §6421(e)(2)(A)(i), §7507(a), §7604(b)(2)(A), §7622(b), §7701(a)(19)(C)(iii), §9002(11)(C), §9032(2) & (9)(B), §9811(e), §9832(b)(2) & (3).

Descriptions:

Sec. 21 allows a tax credit for household and dependent care services necessary for gainful employment. For payments to a day care center to qualify for the credit the center must comply with all applicable state and local laws and regulations (§21(b)(2)(C)(i)). This rule would require some examination of State law.

Sec. 23 allows a tax credit for certain adoption expenses. Qualified adoption expenses must not be incurred in violation of State law (§ 23(d)(1)(B)). This rule would require some examination of State law and could result in forum shopping.

Sec. 32 provides for an earned income tax credit. Earned income is to be computed without regard to any community property laws (§32(c)(2)(B)(i)). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 42 allows a low-income housing income tax credit. A low-income housing commitment must be recorded as a restrictive covenant pursuant to State law (§42(h)(6)(B)(vi)). State law may provide for more stringent requirements than provided in § 42 to qualify for exception in case of foreclosure or if no buyer is willing to maintain the low-income status of the property (§42(h)(6)(E)). These provisions would require examination of State law.

Sec. 45A allows an Indian employment income tax credit. The credit is not allowed if the qualified employee is terminated prior to one year of service unless the termination comes under one of the exceptions which include termination for misconduct as determined under the applicable State law (§45A(d)(3)(A)(iii)). This provision could require examination of State law if a termination had occurred in the one year period.

Sec. 51A allows an income tax credit for employing certain recipients of long-term assistance. Among eligible employees are those who are members of a family which ceased to be eligible for such assistance by reason of any limitation imposed by State law on the maximum period of eligibility for such assistance (§51A(c)(1)(C)(i)). This provision could require the examination of State law.

Sec. 66 specifies the tax treatment of “community income” in certain instances where it might be unfair to attribute such income to one spouse. The term community property laws includes State laws (§66(d)(3)). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 72 provides that certain amounts received as an annuity are to be included in gross income. There is an additional tax on early distributions from qualified retirement plans. There is an exception from this additional tax for distributions to unemployed individuals for health insurance premiums if such individuals received unemployment compensation for twelve consecutive weeks under State law (§72(t)(2)(D)(i)(I)) or if they would have received such compensation under State law but for the fact that they were self-employed (§72(t)(2)(D)(iii)). This provision could require the examination of State law.

Sec. 85 provides that unemployment compensation is included in gross income. Unemployment compensation is defined to include such payments received under State law (§85(b)). This provision could require the examination of State law.

Sec. 101 provides for the exclusion of certain death benefits from gross income. The term flexible premium life insurance contract does not include any portion of a contract which is treated under State law as providing annuity benefits other than as a settlement option (§101(f)(3)(A)). This provision could require the examination of State law. In computing the net single premium, the mortality basis shall be determined under the mortality tables allowed under all State laws (§101(f)(3)(G)(i)). While this provision would require examination of State law, it would not add to complexity because it uses a table recognized by all States.

Sec. 104 provides for the exclusion from gross income of compensation for sickness or injuries. Amounts received under workmen's compensation acts as compensation for personal injuries or sickness qualify for this exclusion (§104(a)(1)). This provision would require the examination of State law. This exclusion does not apply to punitive damages unless a State law effective on September 13, 1995 provides that only punitive damages may be awarded in such action (104(c)). This provision would require the examination of State law.

Sec.105 provides the rules governing the exclusion or inclusion in gross income of amounts received under accident and health plans. For purposes of this section and section 104 (see above), amounts received from a sickness and disability fund for employees maintained under the law of a State shall be treated as amounts received through accident or health insurance (§105(e)(2)). This provision would require the examination of State law.

Sec.108 provides the rules governing the exclusion or inclusion in gross income of amounts received in discharge of indebtedness. One of the listed organization which may make a qualified student loan is a public benefit corporation whose employees have been deemed public employees under State law (§108(f)(2)(C)(ii)). This provision could require the examination of State law.

Sec. 119 provides the rules governing the exclusion or inclusion in gross income of amounts received for meals or lodging furnished for the convenience of the employer. Certain lodging furnished by educational institutions is not included in gross income. Educational institution includes those organized under State law (§119(d)(4)(A)(i)). This provision could require the examination of State law.

Sec. 130 provides the rules governing the exclusion or inclusion in gross income of amounts received as personal injury liability assignments. Under this provision, a qualified funding asset may only be issued by an insurance company licensed under State law (§130(d)). This is a definitional section which might require examination of State law.

Sec. 144 governs the qualification certain small issue bonds. In determining the aggregate face amount of an issue, capital expenditures required by a change in State law are not taken into account (§144(a)(4)(C)(ii)). This provision could require the examination of State law. A qualified redevelopment bond is required to be authorized as such by State law (§144(c)(2)(A)(i)). This is a definitional section which might require examination of State law.

Sec. 146 establishes the volume cap for private activity bonds. A State may provide by law a different formula for allocating the State ceiling among governmental units (§146(e)(1)). This provision would require the examination of State law. A State may not alter the allocation to a Constitutional Home Rule City unless the State Constitution so provides or the city agrees (§146(e)(3)). This provision could require the examination of State law.

Sec. 147 provides other requirements applicable to certain private activity bonds. Under this provision, State law may designate "any other elected official" (as opposed to the official listed in the section) as the proper official to approve a private bond activity (§147(f)(2)(E)(i)(II)). This is a definitional section which might require examination of State law.

Sec. 149 provides for registration and other requirements for tax exempt bonds. The information which an issuer must supply to the IRS includes a certification by a State official designated by State law that the bonds meet the requirements of the volume cap (§149(e)(2)(F)). This provision could require the examination of State law.

Sec. 150 provides definitions and special rules concerning tax exempt bonds. A qualified scholarship funding bond must be issued by a corporation which is required by State law to devote

any income to the purchase of student loan notes (**§150(d)(2)(B)**). This is a definitional section which might require examination of State law.

Sec. 162 provides the rules for deductibility of business expenses. No deduction is allowed for a payment which constitutes under State law an illegal bribe, illegal kickback, or other illegal payment (**§162(c)(2)**). This provision could require the examination of State law. The section has a special rule for deductibility of certain employer health plan expenses in New York State (**§162(n)**). This provision could require the examination of New York State law.

Sec. 165 provides the rules for deductibility of uncompensated losses. This provisions uses several State law definitions: broker dealer registered under State law (**§165(j)(3)(B)**); any credit union whose accounts are insured or guaranteed under State law (**§165(l)(3)(C)**); institution chartered and supervised under State law (**§165(l)(3)(D)**); insurance proceeds under any State law (**§165(l)(5)(B)(ii)**). The definition of bank in §581 (discussed below) is incorporated by reference (**§165(l)(3)(A)**). These are definitional provisions which might require examination of State law.

Sec. 170 provides the rules for deductibility of charitable contributions. Under gifts of annuities, special rules are provided where there is an obligation of an organization to pay a charitable gift annuity which is required to meet certain State insurance and residency requirements (**§170(f)(10)(G)**). This provision could require the examination of State law.

Sec. 172 provides the rules for deductibility of net operating losses. The term “specified liability loss” includes deductible amounts which are in satisfaction of liabilities under State laws requiring reclamation of land, decommissioning of a nuclear power plant, remediation of environmental contamination, or payment under any workmen’s compensation act (**§172(f)(B)(ii)**). This provision could require the examination of State law.

Sec. 192 provides the rules for deductibility of contributions to the Black Lung Benefit Trust. This provision defines black lung benefit claim to be a claim for compensation for disability or death due to pneumoconiosis under a specified Federal act or any State law providing for such compensation. (**§192(e)**). This provision could require the examination of State law.

Sec. 219 provides the rules for deductibility of qualified retirement contributions. The maximum deduction for married individuals is figured without regard to any community property laws (**§219(f)(2)**). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 220 provides the rules for deductibility of medical savings account contributions. The limitations on this deduction are to be figured without regard to any community property laws (**§220(b)(4)(C)**). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same. A plan shall not fail to be treated as a high deductible health plan by reason of failing to have a deductible for preventive care if the absence of such deductible is required by State law (**§220(c)(2)(B)(ii)**). This provision could require the examination of State law. Qualified medical expense does not include any payment for insurance unless made under a health plan while receiving workmen’s compensation under State law (**§220(d)(2)(B)(ii)(III)**). This provision could require the examination of State law.

Sec. 273 provides the rule that amounts paid under the laws of a State as income to the holder of a life or terminable interest acquired by gift, bequest or inheritance shall not be reduced by shrinkage in value due to the lapse of time (**§273**). This provision would require the examination of State law.

Sec. 280A disallows certain deductions with respect to the business use of residences. This disallowance is not effective if the business use is providing day care if the day care centers is licensed, certified or approved under State Law. (**§280A(c)(4)(B)**). This rule would require some examination of State law

Sec. 280E denies trade or business deductions if the activity involved is trafficking in controlled substances which are prohibited under State law (**§280E**). This provision would require the examination of State law.

Sec. 303 provides the rules for inclusion in the gross estate of distributions in redemption of stock to pay death taxes. Certain property held by the decedent and their spouse as community property, joint tenant, tenants in the entirety, and tenants in common are used in making certain percentage ownership tests (**§303(b)(2)(B)**). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 401 provides the rule governing qualified pension, profit-sharing and stock bonus plans. There is a prohibition on benefit increases when the sponsor is in bankruptcy under 11 U.S.C. or similar State law (**§401(a)(33)(A)**). This provision might require the examination of State law.

Sec. 402 provides the rules governing the taxability of beneficiaries of employees' trusts. In applying the rules of subsection (e) to exempt trusts, no regard is to be given to community property laws (**§402(e)(4)(D)(iii)**). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 403 governs the taxation of employee annuities. The exclusion allowance is not permitted for individuals whose adjusted gross income exceeds \$17,000 per year determined without regard to community property laws (**§403(b)(2)(D)(ii)**). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 408 provides the rules governing individual retirement accounts. These rules are to be applied without regard to any community property laws (**§408(g)**). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same. For purposes of this section, investment collectibles does not include a coin issued under the laws of any State (**§408(m)(3)(A)(iv)**). This provision might require the examination of State law. A trustee bank must be a bank defined in §581 (discussed below) or a corporation under the laws of a State which is subject to the supervision of the Banking Commissioner (**§408(n)**). These are definitional provisions which might require examination of State law.

Sec. 412 provides the minimum funding standards for 401 or 403 retirement plans. For purposes of these standards, a change in benefits under the Social Security Act or in other retirement benefits created under Federal or State law results in an increase or decrease in accrued liability under a plan, such change shall be treated as an experience loss or gain (**§412(c)(4)**). This provision might require the examination of State law.

Sec. 414 provides definitions and special rules for the retirement plan sections. A governmental plan includes a plan established and maintained by the government of any State (**§414(d)**). This is a definitional section which might require examination of State law. A domestic relations order must be made pursuant to a State domestic relations law which includes community property law (**§414(p)**). This is a definitional section which might require examination of State law.

Sec. 415 provides limitations on benefits and contributions under qualified plans. There are several special rules for governmental plans as defined in §414(d) (discussed above) (**§415(b)(2)(F) & (H) & (10) & (11) & (m) & (n)**). These provisions might require examination of State law to see if the plan was a governmental plan under §414 but would not require additional examination.

Sec. 416 provides special rules for top-heavy plans. The requirements of the provision must be met without taking into account contributions under several specified Federal laws or any State law (**§416(e)**). This provision might require the examination of State law.

Sec. 448 provides limitations on the use of the cash method of accounting. For purposes of qualifying as a personal service corporation, community property laws are to be disregarded (**§448(d)(4)(A)**). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 457 provides the rules for deferred compensation plans of State and local governments. An Eligible plan is a plan established and maintained by a State or local government (**§457(b) & (e)(1)**). This is a definitional section which might require examination of State law. The amount of includable compensation under these plans shall be determined without regard to any community property law (**§457(e)(7)**). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 460 provides the accounting rules for long-term contracts. One of the allocation rules is that costs will be allocated to a contract if required by State law (**§460(c)(2)**). This provision would require the examination of State law.

Sec. 468 provides special rules for mining and solid waste reclamation and closing costs. Qualified reclamation or closing costs include expenses submitted pursuant to any State law which imposes surface mining reclamation and permit requirements. (**§468(d)(2)(A)(ii)**). Solid waste disposal and closing costs include any expenses incurred for land reclamation or closing activity in connection with a waste disposal site in accordance with a permit issued pursuant to any State law similar to the Solid Waste Disposal Act (**§468(d)(2)(B)**). These provisions would require the examination of State law.

Sec. 501 describes the organization exempt from taxation. An association which is a farmers cooperative shall not be denied exemption by reason of accumulation of a reserve mandated by State law (**§501(c)(16)**). This provision might require the examination of State law by the IRS. The term Black Lung Acts includes any State law providing compensation for disability or death due to pneumoconiosis (**§501(c)(21)(D)(i)**). This provision is definitional and might require the examination of State law by the IRS. Certain workmen's compensation organizations created by State law or organized and operated under State law are tax-exempt (**§501(c)(27)**). This provision is definitional and might require the examination of State law by the IRS. A risk pool to qualify for tax-exempt status must be organized under State law and be exempt from State taxes (**§501(n)(3)**). This provision is definitional and might require the examination of State law by the IRS.

Sec. 507 provides the termination rule for private foundation status. The termination taxes imposed by the provision may be abated if corrective action has been initiated pursuant to State law to insure the assets of the private foundation are preserved for charitable purposes (**§507(g)(2)**). This provision might require the examination of State law by the IRS.

Sec. 513 generally defines unrelated trade or business activity for exempt organization. Qualified public entertainment activity means an activity conducted in accordance with State law under State license (**§513(d)(2)(B)**) and is not unrelated trade or business. This provision might require the examination of State law by the IRS.

Sec. 514 provides the rules for the treatment of unrelated debt-financed income of exempt organizations. Where State law provides for attachment of liens for taxes or assessments they are generally treated similar to a mortgage for purposes of acquisition indebtedness (§514(c)(2)(C)). This provision might require the examination of State law.

Sec. 521 grants tax-exempt status to farm cooperatives. A farmers cooperative shall not be denied exemption by reason of accumulation of a reserve mandated by State law (§521(b)(3)). This provision might require the examination of State law by the IRS.

Sec. 530 provides the rules governing education IRAs. The rules of the provisions are be applied without regard to any community property laws (§530(f)). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 581 defines the term bank to include a bank or trust company incorporated and doing business under the laws of any State, a substantial part of the business of which consists of receiving deposits and making loans and discounts, or of exercising fiduciary powers and which is subject to supervision and examination by the State (§581). This provision might require the examination of State law.

Sec. 584 provides the rules for definition and exemption of common trust funds. One qualifying fund is one formed for the collective investment of custodial accounts established under a Uniform Gift To Minors type of State law (§584(a)(1)(B)(i)). This provision might require the examination of State law by the IRS.

Sec. 591 provides for the deduction of dividends paid on deposits by mutual savings banks which include savings institutions chartered under State law (§591). This provision might require the examination of State law by the IRS.

Sec. 594 provides an alternative tax for mutual savings banks conducting life insurance business. Such a bank must be authorized by State law to conduct this type of business (§594(a)). This provision might require the examination of State law.

Sec. 816 defines life insurance company and related terms. In the case of an assessment life insurance company or association, the term life insurance reserves includes sums actually deposited by such company with State officers pursuant to law as guaranty or reserve fund (§816(b)(3)(A)). This provision might require the examination of State law.

Sec. 817 provides the rules for variable life insurance contracts. A variable contract must provide for the allocation of all or part of the amounts receive under the contract to an account which, pursuant to State law is segregated from the general assets of the company (§817(d)(1)). This provision might require the examination of State law.

Sec. 817A provides special rules for modified guaranteed life insurance contracts. A modified guaranteed contract must provide for the allocation of all or part of the amounts received under the contract to an account which, pursuant to State law is segregated from the general assets of the company (§817A(d)(1)). This provision might require the examination of State law.

Sec. 832 provides the definition of taxable income for insurance companies other than life insurance companies. Special rules are provided for reciprocal insurers who are required by State law to report reserves on unearned premiums net of premium acquisition expenses (§832(B)(7)(E)). A special deduction is granted to companies that write mortgage guaranty insurance of an amount representing the amount required by State law to be set aside in reserve for mortgage guaranty

insurance losses resulting from adverse economic cycles (§832(e)(1)). These provisions would require the examination of State law.

Sec. 833 provides for the tax treatment of Blue Cross and Blue Shield and similar organizations. Under the definition of other organizations to which this provision applies, small group is defined to mean the lesser of 15 individuals or the number of individuals required for such a group under State law (§833(c)(3)(B)). An existing Blue Cross or Blue Shield organization must be organized under and governed by State laws which are specifically and exclusively applicable to not-for-profit health insurance or health service type organizations (§833(c)(4)(B)). These provisions are definitional and might require examination of State law.

Sec. 851 provides the rules governing taxation of regulated investment companies. The rules for unit investment trusts under paragraph (f) do not apply to such a trust which is a segregated asset account under the insurance laws of a State (§851(f)). This provision is definitional and might require examination of State law.

Sec. 864 provides definitional and special rules for determining sources of income. The definition of affiliated group looks to see if a financial institution is required by State law to be operated separately from any non-financial institution (§864(e)(5)(C)(iii)) and if a bank holding company is a subsidiary of a financial institution defined in §581 (discussed above) (§864(e)(5)(D)(ii)). These provisions are definitional and might require examination of State law.

Sec. 871 provides for an income tax on nonresident alien individuals. The tax imposed by this provision does not apply to interest and dividends from certain deposits including deposits with saving institutions chartered and supervised as savings and loan or similar associations under State law (§871(i)(3)(B)). This provision is definitional and might require examination of State law.

Sec. 879 provides for treatment of community income when either or both of the spouses are nonresident aliens. Community property law includes such laws of a State (§879(c)(2)). This provision would require the examination of State law.

Sec. 911 provides for the tax treatment of citizens or residents of the United States living abroad. A rule is provided to give similar treatment to residents of community property States as residents of common law states when figuring the limitation on foreign earned income (§911(b)(2)(C)). This provision would require the examination of State law.

Sec. 932 provides rules for the coordination of United States and Virgin Islands income taxes. In the case of a joint return, this provision is to be applied on the basis of the residence of the spouse who has the greater adjusted gross income (determined without regard to community property laws) (§932(d)). This rule does not require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 992 provides the requirements of a domestic international sales corporation (DISC). A DISC must be incorporated under the laws of any State (§992(a)(1)). This provision might require the examination of State law to determine corporate status.

Sec. 1014 provides the basis rules for property acquired from a decedent. Only one half share of community property is considered to have been received from a decedent by a spouse (§1014(b)(6)). This rule does require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 1055 provides special rules concerning redeemable ground rents. To be a redeemable ground rent the leaseholder must have a present or future right to terminate, and acquire the entire interest of the lessor, by payment of a determined or determinable amount, which exists by virtue of State law (§1055(c)(2)). This provision would require the examination of State law.

Sec. 1250 provides the rules for determining gain from dispositions of certain depreciable realty. The applicable percentage utilized in the provision comes from certain Federal housing Acts or “similar State laws” (§1250(a)(1)(B) & (2)(B)). This provision could require the examination of State law.

Sec. 1396 provides the rules governing the empowerment zone employment credit. The credit is not allowed if the qualified employee is terminated, unless the termination comes under termination for misconduct as determined under the applicable State law (§1396(d)(3)(A)(ii)). This provision could require examination of State law if a termination had occurred.

Sec. 1402 sets out the definition concerning self-employment. Any income derived from a trade or business which is community property under State law shall be treated as income of the spouse which materially participated in the trade or business. Any portion of a partner’s distributive share which is community property under State law shall be treated as income of the spouse who is the partner (§1402(a)(5)). This rule might require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 2032A provides special valuation rules for estate tax purposes for valuing family farms and closely-held businesses. If the property in question was community property, the interest of the surviving spouse is to be taken into account in a manner to give a result consistent with this section had the property not been community property (§2032A(e)(10)). This rule might require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 2053 provides for certain deductions from the gross estate for purposes of the estate tax. To the extent permitted by State law, funeral expenses, administrative expenses, claims against the estate, and unpaid mortgages are deductible (§2053(a)). State death taxes are deductible (§2053(d)). These provisions would require examination of State law.

Sec. 2057 provides for a special deduction for estates which have qualified family-owned business interests. If the property in question was community property, the interest of the surviving spouse is to be taken into account in a manner to give a result consistent with this section had the property not been community property (§2057(i)(3)(I)) which incorporates §2032A(e)(10) (discussed above) by reference). This rule might require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 2652 provides some of the definitions for the generation-skipping transfer tax. The fact that income or corpus of the trust may be used to satisfy an obligation of support arising under State shall be disregarded in determining whether a person has an interest in a trust if such use is pursuant to a Uniform Gifts to Minors type act (§2652(d)(3)). This provision would require examination of State law.

Sec. 2701 provides special valuation rules for valuation-freeze transfers. When looking at non-lapsing differences in management and limitations in liability, lapses by reason of State law shall be treated as non-lapsing differences (§2701(a)(2)). This provision would require examination of State law.

Sec. 2704 provides rules for treatment of lapsed voting or liquidation rights under the valuation rules for valuation-freeze transfers. A restriction on liquidation imposed by State law is to be disregarded for purposes of the provision (§**2704(b)(3)(B)**). This provision would require examination of State law.

Sec. 3121 provides the definitions for the employment tax. Employment does not include service provided as a student nurse in a nurses training school chartered or approved by State law (§**3121(b)(13)**). This provision could require examination of State law to ascertain the statute of the school.

Sec. 3123 provides that when a State law requires an employer to deduct a payment from an employee, the employee shall be considered to have constructively paid to the employee (§**3123**). This provision could require examination of State law.

Sections 3301 through 3311 make up the Federal Unemployment Tax Act. This tax is designed to work in conjunction with State unemployment acts and, therefore, contains numerous references to State laws. Section **3302** provides for credits against the Federal tax for contributions to State unemployment funds and, therefore, is replete with references to what is permitted and required by State law. Section **3303** provides conditions of additional credit allowance which contains several references to State law definitions. Section **3304** requires the approval of State unemployment compensation laws by the Secretary of labor and has many references to State law. Section **3305** provides the rules for applicability of State law to interstate commerce and certain Federal entities. These State laws must contain certain requirements to be so applicable. Section **3306** is a general definitional provision and references State law in several of its definitions. Section **3307** provides that when a State law requires an employer to deduct a payment from an employee, the employee shall be considered to have constructively paid to the employee. Section **3309** provides for State law coverage of services performed by non-profit or governmental entities. All of these provisions would require examination of State law.

Sec. 3402 provides the general rules for income tax collection from the source. Winnings which are subject to withholding include proceeds of more than \$5,000 from a wager in a lottery conducted under the authority of State law (§**3402(q)(3)(B)**). This provision might require examination of State law.

Sec. 3405 provides rules for withholding for pensions, annuities and certain other deferred income. Commercial annuity is defined to include an annuity, endowment, or life insurance contract issued by an insurance company licensed to do business under the laws of any State (§**3405(e)(6)**). This provision might require examination of State law to determine the status of the life insurance company.

Sec. 4401 imposes an excise tax on wagers. Wagers authorized by State law are taxed at a lower rate than unauthorized wagers (§**4401(a)(1)**). This provision might require examination of State law.

Sec. 4402 provides the exemptions to the excise tax on wagers. Parimutuels and lotteries authorized by State law are exempted (§**4402(1) & (2)**). These provisions might require examination of State law.

Sec. 4422 provides that the payment of the wagers excise tax does not exempt a person from any State penalty or tax for the same activity (§**4422**). This provision might require examination of State law, but not for Federal tax purposes.

Sec. 4481 imposes an excise tax on vehicles over 55,000 pounds. The tax is to be paid by the registered owner under State law (**§4481(b)**). This provision might require examination of State law.

Sec. 4483 provides the exemptions to the excise tax on vehicles over 55,000 pounds. State registration and vehicle type designations are used in this provision(**§4483(d)(5)(B)(i)(II) & (6) & (e)(2)**). This provision might require examination of State law.

Sec. 4906 provides that the payment of the excise tax on certain occupations does not exempt a person from any State penalty or tax for the same activity (**§4906**). This provision might require examination of State law, but not for Federal tax purposes.

Sec. 4980 provides for a tax on reversion of qualified plan assets to an employer. The increase in the tax for failure to establish a replacement plan does not apply to an employer is in bankruptcy under 11 U.S.C. or similar State law (**§4980(d)(6)**). This provision might require the examination of State law.

Sec. 5145 provides that the payment of the excise tax on certain alcohol related occupations does not exempt a person from any State penalty or tax for the same activity (**§5145**). This provision might require examination of State law, but not for Federal tax purposes.

Sec. 5551 provides for the bonding of certain occupations involved in the production of alcohol. Such bonds are to be disapproved if the entity or individual has been convicted of a State felony prohibiting the manufacture, sale, importation, or transportation of distilled spirits, wine, beer, or other intoxicating liquor (**§5551(b)(2)**). This provision would require examination of State law, by the Secretary of the Treasury.

Sec. 6015 provides for relief from joint and several liability on joint returns in specified circumstances. All determinations under the provision are to be made without regard to community property laws (**§6015(a)**). This rule might require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 6049 provides for returns to be filed by certain payers of interest. A dealer in securities required to register under State law is one of the persons required to file these returns (**§6049(b)(4)(H)**). This a definitional provision which would be unlikely to require examination of State law.

Sec. 6103 provides the rules governing confidentiality and disclosure of returns and return information. The provision has several references to State law as to who is authorized to receive such information, what uses such information may be allowed, etc. (**§6103**). This provision would require examination of State law by the IRS to determine if returns and return information may be released and to whom it may be released.

Sec. 6104 provides rules for publication of certain documents by tax-exempt organizations and certain trusts. Certain information required for determinations required by State law is to be supplied by the Secretary of the Treasury to appropriate State Officials (**§6104(c)**). This provision would require examination of State law by the Secretary of the Treasury.

Sec. 6111 provides for the registration of tax shelters. Tax shelter is defined in part to mean any investment required to be registered under a State law regulating securities (**§6111(c)(1)(B)(i)**). This provision might require the examination of State law.

Sec. 6166 provides for the extension of time for payment of estate taxes where the estate consists primarily of interests in closely held business. Stock or partnership interests held by

husband and wife either as community property or as joint tenants shall be treated as being held by one individual (**§6166(b)(2)(B)**). This rule might require examination of State law and is one of those provided to treat taxpayers in community property and common law States the same.

Sec. 6311 provides for paying taxes by commercially acceptable means. A payment of taxes by credit card is not subject certain provisions of the Federal Truth in Lending Act or Electronic Transfer Act or other similar State laws (**§6311(d)(3)**). This provision might require the examination of State law, but is likely designed to permit the IRS to ignore State law.

Sec. 6323 provide for the validity and priority of Federal tax liens. State law provides the place and manner for filing such liens (**§6323(f)**). This provision might require the examination of State law.

Sec. 6334 provides what property shall be exempt from levy. Amounts payable under State unemployment laws and workmen's compensation are exempt from levy (**§6334(a)(4) & (7)**). This provision might require the examination of State law.

Sec. 6338 provides for the tax sale of realty. The deed to the property shall be executed in accordance with State law (**§6338(b)**). This provision would require examination of State law by the Secretary of the Treasury.

Sec. 6408 provides that State escheat laws do not apply to Federal tax refunds. An affirmative showing that a refund won't escheat may be required in some circumstances (**§6408**). This provision might require the examination of State law.

Sec. 6421 provides for the refund of certain gasoline taxes if the vehicle is used for nonhighway purposes. Off-highway business use may not include use in a vehicle required to be registered for highway use under State law (**§6421(e)(2)(A)(i)**). This provision is definitional and would not require the examination of State law.

Sec. 7507 provides for the exemption from taxation of insolvent banks. Banks and trust companies organized under State law are covered by this provision (**§7507(a)**). This provision is definitional and would not require the examination of State law.

Sec. 7603 provides for the service of summons. Third-party record keepers include savings and loan associations organized under State law and banks defined in §581 (discussed above) (**§7603(b)(2)(A)**). This provision is definitional and would not require the examination of State law.

Sec. 7622 provides for the authority to administer oaths and certifications. An oath or affirmation may be administered by any person so authorized by State law (**§7622(b)**). This provision might require the examination of State law.

Sec. 7701 provides the general definitions for the Internal Revenue Code. A domestic building and loan association must have certain assets including certificates of deposit in, or obligations of a corporation organized under State law which specifically authorizes such corporation to insure the deposits or share accounts of member associations (**§7701(a)(19)(C)(iii)**). This provision is definitional and might require the examination of State law.

Sec. 9002 provides the definitions for the Presidential Campaign Fund. To be a qualified campaign expense neither the incurring or the payment may be a violation of State law (**§9002(11)(C)**). This provision would require the examination of State law.

Sec. 9032 provides the definitions for the Presidential Primary Matching Payment Account Act. A candidate must take the action necessary under State law to qualify for nomination (§9032(2)). To be a qualified campaign expense neither the incurring or the payment may be a violation of State law (§9032(9)(B)). These provisions would require the examination of State law.

Sec. 9811 provides health care plan requirements relating to benefits for mothers and newborns. The requirements of the provision preempt State law unless State law meets certain listed minimum requirements (§9811(e)). This provision would require the examination of State law.

Sec. 9832 provides definitions for the health care plan requirement provisions. A health insurance issuer must be subject to the State law which regulates insurance (§9832(b)(2)). A health maintenance organization must be recognized as such an organization by State law (§9832(b)(3)). These provisions would require the examination of State law.

Complexity Attributable To Statutory References In The Internal Revenue Code To Foreign Laws Or Attributable Generally To Treaties With Foreign Countries (As Implied By Examination Of The United States Model Income Tax Treaty Of 1996)

Statutory References

The complexity of tax law applicable to citizens and residents of the United States is not coextensive with the complexity of the Internal Revenue Code. Generally applicable U.S. tax law is a much larger body of law and is far more complex than the Internal Revenue Code. This is particularly true for U.S. citizens and residents who have contacts through business or family relationships with foreign countries. There are 123 statutory rules in the Internal Revenue Code which explicitly refer to foreign countries. Not all of such references are consequential from the point of view of tax liability. For example, some simply refer to registration of a vehicle under the laws of a foreign country. Of the 123 instances in which statutory rules set out in the Internal Revenue Code explicitly refer to foreign law, only 72 are consequential. Seventeen do not necessitate actual examination of foreign law. Of the remaining fifty-five rules, two necessitate examination of foreign law by foreign persons subject to taxation by the United States; two necessitate examination of foreign law by the Secretary of State; two by the Secretary of the Treasury; seven by the President; one refers to regulations under which an affected US taxpayer may be required to examine foreign law; thirty-eight necessitate examination of foreign law by affected US taxpayers; and three necessitate examination by affected US taxpayers of special international agreements concerning social security systems in other countries. Furthermore, there are two rules which necessitate examination of complex treaty language reducing rates of tax applicable to interest received in certain cases by partnerships. Apart from instances in which US citizens must examine foreign law in order to comply properly with US tax law, US citizens obviously must also do so in order to comply with foreign tax laws to whatever extent they may have jurisdiction-conferring contacts with foreign countries.

Citations to the statutory rules in the Internal Revenue Code which consequentially defer to the laws of foreign countries or to international agreements are, as follows: §27; §56(g)(4)(C)(iii)(I); §56(g)(4)(C)(iii)(II); §66(d)(3); §163(j)(4)(B)(ii); §163(j)(5)(B); §168(g)(6)(A); §273; §275(a)(4); §404A(d)(2)(B); §404A(g)(2)(A)(i); §404A(g)(2)(A)(ii); §461(f); §515; §535(b)(1); §545(b)(1); §552; §556(b)(1); §642(a); §665(d)(2); §702(a)(6); §703(a)(2)(B); §703(b)(3); §772(d)(6); §807(e)(4)(A); §807(e)(4)(B); §814(f)(1)(A); §814(f)(1)(B); §841; §842; §853(a); §853(b)(2)(B); §853(c); §853(f); §861(e)(3); §864(d)(7)(A); §872(b)(1); §872(b)(2); §877(b); §879(c)(2); §883(a)(1); §883(a)(2); §883(a)(3); §883(a)(5); §891; §893; §894(c); §896; §901; §902; §903; §904(c); §904(d)(2)(B)(i)(I); §904(d)(2)(F); §907(b); §911(d)(8)(A); §927(e)(3); §954(b)(4); §964(b); §999; §1014(b)(6); §1014(b)(7); §1293(g)(1)(B)(i); §1401(c); §1503(d)(2)(A); §1503(d)(2)(B); §2014(a); §2014(b); §2014(c); §2014(d); §2014(f); §2014(h); §2108; §3101(c); §3111(c); §3121(b)(12)(B); §3306(c)(12)(B); §3401(a)(8)(A)(i); §3401(a)(8)(A)(ii); and §4221(e)(1).

Descriptions:

Sec. 27 allows a tax credit for the “amount of taxes imposed by foreign countries” to the extent provided in section 901. Claiming the credit implicitly assumes the taxpayer has examined foreign tax law sufficiently thoroughly to have accurately determined the extent of liability thereunder. Thus, this rule **does** implicitly necessitate examination of foreign law.

Sec. 66(d)(3). Section 66 specifies the tax treatment of so-called “community income.” For purposes of this section, the term “community property laws” is defined under subsection (d)(3) to mean, *inter alia*, “the community property laws of ... a foreign country.” This rule **does** necessitate examination of foreign law but only to the limited extent of ascertaining whether or not a particular foreign country recognizes community property.

Sec. 163(j)(4)(B)(ii). Section 163 allows a deduction for interest paid by the taxpayer during the taxable year. Subsection (j) disallows any deduction to a corporation for “disqualified interest.” Paragraph (3) of subsection (j) defines the term “disqualified interest” to mean, *inter alia*, interest paid to a related person if “no tax is imposed by this subtitle with respect to such interest.” Paragraph (4) defines the term “related person” and in connection with that definition, subparagraph (B) sets out a special rules with regard to certain partnerships. One of those special rules, set out under clause (ii) relates specifically to situations where a treaty between the United States and a foreign country reduces the rate of tax imposed under U.S. law on a partner’s share of interest paid to (*i.e.*, received by) a partnership. The special rule declares, in essence, that the portion of the interest that effectively escapes taxation by virtue of the treaty limitation is treated as if it was tax-exempt. Then, according to section 163(j)(5)(B), in any case where a treaty between the United States and a foreign country does in fact reduce the rate of tax imposed on interest paid or accrued by the taxpayer, the interest in question is treated as interest on which “no tax is imposed by this subtitle” *to the extent of* the same proportion of such interest as the rate of tax imposed without regard to the treaty (*i.e.*, the non-treaty rate) reduced by the rate of tax imposed by the treaty (*i.e.*, the treaty rate) bears to the rate of tax without regard to the treaty (*i.e.*, the non-treaty rate). The complexity of these rules is self-evident. These rules do not necessitate examination of foreign law but they **do** necessitate examination of treaty language.

Sec. 168(g)(6)(A). Section 168 generally specifies rules for use of the accelerated cost recovery system. The noted rule, however, allows the President, after determining that a particular foreign country maintains trade restrictions or engages in discriminatory acts against the United States, to issue an Executive Order under which any designated article or class of articles can only be depreciated using any alternative (and less generous) depreciation system. This rule **does** necessitate examination of foreign law but by the President, not by any taxpayer. A computer-based search uncovered no relevant Executive Order.

Sec. 273. This strange little provision declares that amounts paid under the laws of any foreign country as income to a holder of a life estate acquired by gift or inheritance may not be reduced because of “shrinkage” (by whatever name called) in the value of the life estate due to the lapse of time. This provision does not actually require examination of foreign law; it simply nullifies the effect of such law for U.S. income-tax purposes.

Sec. 275(a)(4). Under the terms of this provision, if a taxpayer claims the foreign tax credit described under IRC section 901 for any taxable year, then no deduction is allowed for income (or similar) taxes “imposed by the authority of a foreign country.” This is another provision which does not actually require examination of foreign law. Rather, it simply specifies the U.S. tax treatment of taxes imposed thereunder.

Sec. 404A(d)(2)(B). Section 404A generally allows a deduction for amounts paid by an employer under a qualified foreign deferred compensation plan. The amount allowed as a deduction equals the lesser of the so-called “cumulative US amount” or the so-called “cumulative foreign amount” over all prior contributions. For purposes of the allowance, the term “cumulative foreign

amount” is defined by the provisions noted to mean the amount that is deductible “under the appropriate foreign tax laws” for the taxable year and all prior taxable years. Consequently, this rule **does** require examination of foreign tax laws.

Sec. 461(f). Section 461 sets out rules for determining the taxable year with respect to which certain deductions are allowed (to assure proper tax accounting). Subsection (f) describes a special rule applicable to certain contested liabilities. However, a *proviso* indicates that this special rule does not apply in the case of contested liability for income (and similar) taxes “imposed by the authority of any foreign country.” This language does not necessitate actual examination of foreign law but simply excepts contested tax liability thereunder from the contemplated scope of the special rule.

Sec. 515 allows the amount of taxes “imposed by foreign countries” as a credit against the tax on unrelated business taxable income imposed under section 511 on otherwise tax-exempt organizations. This provision **does** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 535(b)(1). This rule specifies that, for purposes of the accumulated earnings tax, income (and similar) taxes “of foreign countries” are deductible. This provision **does** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 545(b)(1). This rule specifies that, for purposes of the tax on personal holding companies, income (and similar) taxes “of foreign countries” are deductible from “undistributed personal holding company income.” This provision **does** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 552 supplies a statutory definition for the term “foreign personal holding company.” While it does refer to “the banking and credit laws of a foreign country,” it does not ordinarily necessitate examination of such laws.

Sec. 556(b)(1) allows income (and similar) taxes “of foreign countries” to be deducted in calculating the amount of “undistributed foreign personal holding company income.” This rule does not necessitate examination of foreign laws.

Sec. 642(a). Section 642 sets out various special rules concerning credits and deductions allowed in the case of estates and trusts. Subsection (a) declares that the foreign tax credit is allowed “for taxes imposed by foreign countries” *to the extent* allowed by section 901 but “only in respect of so much of the taxes described in such section as is not properly allocable under such section to the beneficiaries.” This provision **does** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 665(d)(2) supplies a statutory definition for the term “taxes imposed on the trust” in the case of any foreign trust. This definition refers to income (and similar) taxes “imposed by any foreign country” and may necessitate examination of foreign law. This same paragraph also specifies that, under Treasury regulations, in the case of any foreign trust “of which the settlor or another person would be treated as the owner of any portion of the trust under subpart E [of the Internal Revenue Code] but for section 672(f),” relevant taxes include those imposed on “the settlor or such other person in respect of trust income.” The regulations alluded to may necessitate examination of foreign law.

Sec. 702(a)(6) specifies the items of income and the credits of partners and, *inter alia*, declares that, in determining income tax, each partner must take into account separately his distributive share of the partnership's "taxes, described in section 901, paid or accrued to foreign countries." This provision **does** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 703(a)(2)(B) does not allow a partnership the deduction described under section 164(a) "with respect to taxes, described in section 901, paid or accrued to foreign countries." This provision **does** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 703(b)(3) specifies that, while elections affecting the computation of taxable income derived from a partnership are generally to be made by the partnership, elections under section 901 are to be made by each partner separately. This rule does not necessitate examination of foreign law.

Sec. 772(d)(6). Sections 771 *et seq.* set out special rules for electing large partnerships. However, even in the case of such partnerships, elections under section 901 are to be made by each partner separately. See section 772(a)(9) and 772(d)(6). These rules **do** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 807(e)(4)(A) and (B). Section 807 specifies rules for the income-tax treatment of changes in the amounts of a life insurance company's reserves (*i.e.*, net increases in reserves are deductible and net decreases in reserves are considered gross income). Subsection (e) sets out special rules for calculating the amounts of such reserves and paragraph (4) thereof concerns certain contracts issued (*i.e.*, life insurance policies sold) by foreign branches of U.S. life insurance companies. Both subparagraph (A) and subparagraph (B) refer to laws of foreign countries that regulate the operation of insurance companies within their territorial jurisdictions. These rules **do** necessitate examination of foreign laws.

Sec. 814 specifies the income-tax treatment of branches of US life insurance companies that operate in contiguous countries. The rules set out in this section do not necessitate examination of foreign laws.

Sec. 841 allows the foreign tax credit to be claimed by both US life insurance companies and US property/casualty insurance companies. This provision **does** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 842 specifies rules for the tax treatment of foreign insurance companies carrying on insurance business within the United States. This section does not necessitate examination of foreign law.

Sec. 853(a); (b)(2)(B); (c); and (f). Section 853 specifies rules for the application of the foreign tax credit to a regulated investment company (*i.e.*, a mutual fund) at least half of the assets of which consist of stock or securities of foreign corporations. These rules **do** necessitate examination of foreign law to the same extent it is implicitly necessitated by the rules of sections 901 *et seq.*

Sec. 861(e)(3). Section 861 is one of the sections in the portion of the Code devoted to sourcing rules. Subsection (e)(3) itself specifies that the foreign tax credit is not allowed for amounts paid

to foreign countries that are allocable to any sum received by the taxpayer with respect to certain railroad rolling stock. This rule does not necessitate examination of foreign law.

Sec. 864(d)(7)(A) involves another sourcing rule and excepts certain related persons doing business in the same foreign country from a special rule set out under section 864(d)(1) specifying the treatment of related person factoring income (*i.e.*, income derived from trade or service receivables). This exception does not necessitate examination of foreign law.

Sec. 872(b)(1) and (2). These rules exclude from the US gross income of nonresident aliens (and thus render US-tax-exempt) amounts received from the international operation of ships and aircraft, respectively, if the foreign country in which the individual resides grants an equivalent exemption to individual residents of the United States. This rule **does** necessitate examination of foreign law.

Sec. 877(b). Section 877 relates generally to expatriation undertaken in order to avoid US taxes. The alternative tax on expatriates that is imposed under subsection (b) is reduced by income (and similar) taxes “paid to any foreign country ... on any income of the taxpayer on which tax is imposed solely by reason of this section.” This rule does not necessitate examination of foreign law.

Sec. 879(c)(2). Section 879 specifies how community income is treated when either or both of the spouses are nonresident aliens. Subsection (c)(2) defines “community property laws” by reference to foreign law and, by implication, **does** necessitate examination of foreign law but only to determine whether the country in question is in fact a community-property jurisdiction.

Sec. 883(a)(1); (2); (3); and (5). In the context of US taxation of foreign corporations, section 883 sets out rules concerning various exclusions from gross income. Paragraphs (a)(1), (2), and (3) exclude a foreign corporation’s income from international operation of ships, international operation of aircraft, and from rental of railroad rolling stock, respectively, if the foreign country where the corporation is organized grants an equivalent exclusion for US corporations. These rules **do** necessitate examination of foreign law but only to determine requisite reciprocity. Paragraph (a)(5) declares that a lack of reciprocity is, in effect, irrelevant if US corporations are subject to tax by the foreign country concerned “on a residence basis pursuant to provisions of foreign law” meeting such standards (if any) as the Secretary may prescribe. Once again, this rule **does** necessitate examination of foreign law but only to determine whether relevant US corporations are subject to tax in the foreign country concerned “on a residence basis.”

Sec. 891 authorizes the President, after finding that a particular foreign country subjects US citizens or corporations to discriminatory or extraterritorial taxes, to issue a relevant proclamation doubling the rates of taxes imposed under IRC §§ 1, 3, 11, 801, 831, 852, 871, and 881 that apply to citizens or corporations of such foreign country. This rule **does** require the President, but not a US taxpayer, to examine foreign law. A computer-based search uncovered no relevant presidential finding.

Sec. 893 exempts wages and salaries paid by a foreign government to its employees who are physically within the territorial jurisdiction of the United States if the foreign government concerned accords an equivalent exemption to employees of the US government who are within its territorial jurisdiction. This rule **does** necessitate examination of foreign law but that burden is imposed on an employee of the foreign country concerned, not a US taxpayer.

Sec. 894(c) specifies that a foreign person is not entitled under any income tax treaty of the US with a foreign country to any reduced rate of withholding on an item of income derived through a partnership or other fiscally transparent entity if the item is not taxed in such foreign country and no provision of the treaty addresses the question. This rule **does** necessitate examination of foreign law but that burden is imposed on a foreign person, not a US taxpayer.

Sec. 896 provides that, if, *inter alia*, the President determines that a particular foreign country imposes “more burdensome” taxes on US citizens who are not residents of that foreign country than the US imposes on income from sources within the US received by residents of that foreign country, then the President can, by proclamation, impose pre-1967 tax law on such residents of the foreign country concerned. This rule **does** necessitate examination of foreign law but that burden is imposed on the President, not any taxpayer. A computer-based search uncovered no relevant presidential findings.

Sec. 901(c); (e); (i); and (j). In general, section 901 allows a credit for income (and similar) taxes paid to foreign countries. Subsection (c) requires reciprocity from a foreign country in allowing a credit against its relevant taxes on citizens of the US who reside there and who pay relevant taxes to the US. This rule **does** necessitate examination of foreign law but that burden is imposed on the President, not any individual taxpayer. Subsection (e) limits the extent of the credit if the foreign country concerned taxes “foreign mineral income” at rates higher than those at which such income is taxed in the US. This rule **does** necessitate examination of foreign law. Subsection (i) disallows the credit to whatever extent a foreign country’s tax is used to provide a subsidy to the taxpayer. This rule **does** necessitate examination of foreign law. Subsection (j) disallows the credit for taxes paid to a foreign country whose government is not recognized by the US, with which the US has severed diplomatic relations, with which the US does not conduct diplomatic relations, or which has been designated by the Secretary of State as a supporter of international terrorism. This rule does not necessitate examination of foreign law.

Sec. 903 declares that the credit applies to taxes paid to a foreign country “in lieu of” income (and similar) taxes. This rule **does** necessitate examination of foreign law.

Sec. 904(d)(2)(B)(i)(I); and (d)(2)(F). These two rules supply definitions for the terms “high withholding tax interest” and “high-taxed income,” respectively, in a fashion which **does** necessitate examination of foreign law.

Sec. 907(b). In general, section 907 sets out special rules for application of the foreign tax credit in the case of foreign oil and gas income. For the specialized purposes of relevant law, subsection (b) excludes from the meaning of the term “income, war profits, and excess profits taxes” (*i.e.*, referred to herein simply as “income (and similar) taxes”) any amounts paid after 12/31/82 to whatever extent the Secretary of the Treasury determines that the rate exacted with respect to foreign oil related income will generally be materially greater than the rate generally imposed on income that is neither foreign oil related income nor foreign oil and gas extraction income. This rule **does** necessitate examination of foreign law but the burden of examination is imposed on the Secretary of the Treasury rather than any taxpayer. A computer-based search uncovered no relevant determination by the Secretary of the Treasury.

Sec. 911(d)(8)(A). Section 911 ordinarily accords a sizeable exclusion to US citizens living abroad for their “foreign earned income.” However, a special rule set out at subparagraph (d)(8)(A), in effect, disallows the exclusion in the case of income earned from sources within any foreign

country to which travel by US citizens is restricted by regulations prescribed under either the Trading with the Enemy Act (50 USC App §§ 1 *et seq.*) or the International Emergency Economic Powers Act (50 USC §§ 1701 *et seq.*). This rule does not necessitate examination of foreign law.

Sec. 927(e)(3). Various rules concerning the tax treatment of foreign sales corporations are set out in sections 921 *et seq.* For purposes of such sections, some definitions and special rules are set out in section 927 that impose requirements with respect to the laws of a foreign country which must be satisfied in order for a corporation created or organized in that country to be a qualified FSC. Paragraph (e)(3) requires that an income-tax treaty making provision for exchange of fiscal information be in force between the US and the particular foreign country concerned. This rule does not necessitate examination of foreign law.

Sec. 954(b)(4). Sections 951 *et seq.* relate to controlled foreign corporations. For purposes of these sections, a definition for the term “foreign base company income” is supplied under section 954. Subsection (b) sets out various exclusions and special rules. One exclusion, noted under paragraph (4), declares that neither “insurance income” nor “foreign base company income” (other than “foreign base company oil-related income”) includes any item of income received by a cfc if the taxpayer demonstrates (to the satisfaction of the Secretary of the Treasury) that item was taxed by a foreign country at an effective rate of tax more than 90% of the highest rate specified under IRC section 11 (*i.e.*, the US regular corporate income tax). This rule **does** necessitate examination of foreign law.

Sec. 964(b). Section 964 specifies miscellaneous rules regarding controlled foreign corporations. Subsection (b) declares that no part of a cfc’s earnings and profits will be included in its e&p for US tax purposes if the cfc demonstrates (to the satisfaction of the Secretary of the Treasury) that such part could not be distributed to US shareholders “because of currency or other restrictions or limitations imposed under the laws of any foreign country.” This rule **does** necessitate examination of foreign law.

Sec. 999 relates generally to international boycott determinations. Subsection (a)(2) obligates the Secretary of the Treasury to maintain and publish a list of countries that do or may require participation in an international boycott. This provision **may** necessitate examination of foreign law but the burden imposed is on the Secretary of the Treasury, not any taxpayer. A computer-based search uncovered several lists, the most recent of which appeared in volume 65 of the Federal Register, beginning at page 43084 (dated July 12, 2000) and which designated the following countries: Bahrain, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, and Yemen.

Sec. 1014(b)(6); (7). For purposes of determining capital gain or loss, a taxpayer’s basis in relevant property must be ascertained. Section 1014 specifies rules for determining the basis of property acquired from a decedent and paragraph (b)(6) applies in the case of community property acquired from a decedent spouse. This rule **does** necessitate examination of foreign law but only to determine whether or not the particular foreign country concerned is a community-property jurisdiction. Paragraph (b)(7) is similar but applies in the case of decedents whose deaths occurred during a different time period. It likewise **does** necessitate examination of foreign law but again only to determine whether or not the particular foreign country concerned is a community-property jurisdiction.

Sec. 1293(g)(1)(B)(i). Sections 1291 *et seq.* relate to passive foreign investment companies (so-called “PFICs”). Section 1293 sets out rules relating to “qualified electing funds” and subsection (g)(1)(B)(i) specifically declares that, for purposes of determining the amount which must be included in the gross income of a person who owns stock in a qualified electing fund, the ordinary earnings and net capital gain of the qualified electing fund in question does not include, *inter alia*, any item of income if such person demonstrates (to the satisfaction of the Secretary of the Treasury) that the income in question was taxed by a foreign country at a rate more than 90% of the maximum rate of tax under IRC section 11 (*i.e.*, the US regular corporate income tax). This rule **does** necessitate examination of foreign law.

Sec. 1401(c) exempts from the US self-employment tax the self-employment income of any individual to the extent such income is, under an agreement entered into pursuant to section 223 of the Social Security Act with any foreign country, subject to taxes or contributions for similar purposes under the social security system of the foreign country in question. This rule does not necessitate examination of foreign law but does, of course, necessitate examination of any relevant **international agreement**.

Sec. 1503(d)(2)(A) and (B). Sections 1501 *et seq.* relate to consolidated returns. Section 1503 specifies how tax is computed when consolidated returns are filed. Subsection (d) specifies that any particular corporation’s “dual consolidated loss” cannot reduce the taxable income of any other member of the affiliated group for *any* taxable year. Subparagraph (2)(A) defines the term “dual consolidated loss” to mean a net operating loss of a domestic corporation that happens to be subject to an income tax of a foreign country on its income regardless of where that income is sourced or is subject to tax on a residence basis (thus giving rise to the possibility that the loss is attributable to some degree to the foreign income tax). An exception to this rule, set out under subparagraph (2)(B), declares that, under regulations, if a foreign corporation would not be permitted to reduce its income by a relevant loss under the tax laws of the foreign country concerned, then such a loss will not be considered a “dual consolidated loss.” Both the basic definition and the exception **do** necessitate examination of foreign law.

Sec. 2014(a); (b); (c); (d); (f); and (h). In the context of estate and gift taxation, section 2014 relates generally to the credit for foreign death taxes. At least some of the various rules noted **do** necessitate examination of foreign law.

Sec. 2108 sets out rules regarding the application of pre-1967 estate tax provisions where a foreign country imposes “more burdensome” taxes on the estates of US citizens. This provision **does** necessitate examination of foreign law but the burden is imposed on the President not any taxpayer. A computer-based search uncovered no relevant presidential findings.

Sec. 3101(c) provides that, if there is an agreement with any foreign country in effect pursuant to section 233 of the Social Security Act, wages paid to an individual are exempt from FECA taxes to the extent they are subject to taxes or contributions for similar purposes under the social security system of the foreign country concerned. This rule does not necessitate examination of foreign law but it does require the individual concerned to determine if a **relevant agreement** is in effect.

Sec. 3111(c) likewise provides that, if there is an agreement with any foreign country in effect pursuant to section 233 of the Social Security Act, wages paid to an individual are exempt from FECA taxes to the extent they are subject to taxes or contributions for similar purposes under the social security system of the foreign country concerned. This rule does not necessitate examination

of foreign law but it does require the individual concerned to determine if a **relevant agreement** is in effect.

Sec. 3121(b)(12)(B). Section 3121 defines the term “employment” for purposes of US employment taxes. Subparagraph (b)(12)(B) excludes from the meaning of the term any services performed for an instrumentality of a foreign government if the foreign country concerned likewise excludes services performed for instrumentalities of the US government. This rule **does** necessitate examination of foreign law but the burden is imposed on the Secretary of State, not any individual affected thereby. A computer-based search uncovered no relevant determinations by the Secretary of State.

Sec. 3306(c)(12)(B). Sections 3301 *et seq.* relate to the federal unemployment tax (FUTA). For purposes thereof, section 3306(c) supplies a definition for the term “employment” and subparagraph (12)(B) excludes from the meaning of the term any services performed for an instrumentality of a foreign government if the foreign country concerned likewise excludes services performed for instrumentalities of the US government. This rule **does** necessitate examination of foreign law but the burden is imposed on the Secretary of State, not any individual affected thereby. A computer-based search uncovered no relevant determinations by the Secretary of State.

Sec. 3401(a)(8)(A)(i) and (ii). Sections 3401 *et seq.* relate to withholding of federal income taxes at source. The term “wages” is defined for withholding purposes under section 3401(a). Exclusions from this definition are set out under clauses (8)(A)(i) and (ii), respectively, for remuneration paid for services performed for an employer (i) by a US citizen that are reasonably believed to be excluded from gross income under IRC section 911 (*i.e.*, the “foreign earned income” and “housing cost amount” exclusions) or (ii) in a foreign country and subject to income tax withholding by that foreign country. These rules do not necessitate examination of foreign law.

Sec. 4221(e)(1) conditions certain privileges accorded with respect to excise taxes in the case of aircraft registered in a foreign country on reciprocity of treatment by the foreign country concerned. This rule does not necessitate examination of foreign law by any owner of US-registered aircraft.

Tax Law Complexity Attributable To Tax Treaties

The discussion which follows examines tax law complexity attributable to tax treaties between the United States and various foreign countries. The focus is on complexity confronting US citizens and business enterprises having jurisdiction-conferring contacts with foreign countries. Various types of information of interest to those nonresident aliens from foreign countries with which the United States has tax treaties who have income from sources within the United States can be found in IRS Publication 901, entitled “U.S. Tax Treaties.”

Detailed examination of every provision of every tax treaty to which the United States is a party is simply beyond the scope of this discussion. Rather, what is presented here is an overview of the policy positions taken in the U.S. Model Income Tax Treaty of September 20, 1996. Brief attention is also accorded to estate tax treaties between the United States and a few foreign countries.

The U.S. Model Income Tax Treaty is comprised of twenty-nine articles. As a general rule, the first three, relating respectively to “general scope,” “taxes covered,” and “general definitions,” do

not contribute significant complexity to U.S. tax law. The same can also be said for the last two articles, relating respectively to “entry into force” and “termination.” To the extent treaties do add significant complexity to U.S. tax law, they do so through the substantive provisions akin to those set out in the Model Treaty’s articles 4 through 27. It should be noted with some emphasis that relevant articles of actual treaties of the United States are not generally identical to the corresponding articles of the model treaty. Each treaty is negotiated separately and U.S. treaty policy does vary somewhat over time. Thus, the commentary below should be understood as reflecting only an approximation of the complexity attributable to actual treaty language. Furthermore, it should be noted that several treaties include special articles that are either unique or uncommon and not included in the model treaty. The articles discussed below appear in the same order in which they appear in the model treaty.

Article 4 – Residence

All of the income tax treaties are described as intended to prevent double taxation and most are described as also intended to prevent fiscal evasion. Service of both of those objectives necessitates careful definition of “residence” for treaty purposes. One important role of any tax treaty is to specify which of the contracting parties will have jurisdiction to tax certain items of income received by persons who have jurisdiction-conferring contacts with both contracting parties. The article relating to residence is one which helps settle such matters. In recent years, the article relating to residence has also been used to help to exclude certain persons from whatever benefits may be accorded under a specific treaty. That is, this article helps to prohibit certain persons from engaging in so-called “treaty shopping.” In other words, it helps to prevent persons who are not genuinely residents of either contracting party from deriving benefits under the treaty through subterfuge. Typically, the article relating to “limitation of benefits” operates in conjunction with the article relating to residence to achieve this result.

The rules set out in article 4 of the model treaty for determining which persons are residents are not complex.

Article 5 – Permanent Establishment

This article sets out rules regarding what does or does not constitute a “permanent establishment.” A permanent establishment must exist in the other country in order for that country to tax the business profits of a U.S. resident. The rules set out in article 4 of the model treaty are only modestly complex.

Article 6 – Income From Real Property (Immovable Property)

This article of the model treaty is divided into seven paragraphs. The first sets out the general rule that, when real property is owned by a resident of one contracting party but situated in the other, the country where the property is situated may tax income derived from it (including from agricultural use of it). Conceivably, direct use of relevant property by its owner (*e.g.*, simple occupation of a dwelling) could give rise to imputed income under the laws of some foreign countries. This article does not confer an exclusive right to tax income from real property on the situs country. Nor does the article impose limits on the rate of form of tax the situs country can impose, except that a subsequent paragraph (number five) obliges the situs country to allow a taxpayer an election to be taxed on a net basis.

The second paragraph of this article defines the terms “real property” and “immovable property” as interchangeable and, in the case of property sited in the United States, the terms are assigned the meaning given the term “real Property” under a Treasury regulation prescribed under IRC §897 (*i.e.*, Reg. §1.897-1(b)). The third paragraph of the article specifies that the article applies to income from the *use* of real property but income from a disposition of real property is covered by the article of the treaty relating to “gains.” The fourth paragraph of this article clarifies that the general rule allowing the situs country to tax income from the use of real property applies even in cases where the income is received by a business enterprise (*i.e.*, in lieu of the rules regarding “business profits” under article 7 of the treaty) or by someone performing independent personal services (*i.e.*, in lieu of the rules concerning such services under article 14 of the treaty). The Fifth paragraph of this article declares that a resident of one contracting State with real property income derived from the other contracting State must be accorded an election to be subject to tax in the situs country exclusively on a net basis (*i.e.*, as if the income was attributable to a permanent establishment in the situs country). Such an election is only terminable with permission of the competent authority in the country concerned. In the U.S., termination must be in accordance with Reg. §1.871-10(d)(2). The rules noted above are modestly complex.

Article 7 – Business Profits

The purpose of this article is to set out rules under which the business profits of an enterprise resident in one contracting State are allowed to be taxed by the other contracting State (*e.g.*, where the business profits of a business resident in the United States may be taxed in a foreign country which has entered into an income tax treaty with the U.S.). This article is divided into eight paragraphs. The first states the general rule that a business profits of an enterprise resident in one contracting State may be taxed in the other contracting State only if the enterprise carries on business in the other State through a permanent establishment and then only on net income attributable to that permanent establishment. While this general rule may seem simple on its face, considerable complexity can arise in practice from its application.

Paragraph 2 of this article attributes income to a permanent establishment under an arm’s length standard under which the permanent establishment is viewed as an independent entity. The concept of attribution of income to a permanent establishment is said to be analogous, but not identical, to the “effectively connected” concept employed under IRC §864(c). To the extent there is a difference, of course, complexity is intensified. The source of attributed income (*i.e.*, whether from sources within the United States, the other contracting State, or some third State) is not relevant. Unlike the OECD model income tax treaty, the U.S. model does not provide for formulaic apportionment of worldwide income (the method also used by States within the United States to determine how much income of a multijurisdictional business is appropriately taxed in any one jurisdiction).

Paragraph 3 of the article provides that deductions are to be allowed in determining the business profits of a permanent establishment in order to assure that it is net profits that will be subject to tax. Relevant expenses are to include allocated portions of any expenses incurred with respect to operations in more than one country. No uniform rule is specified for how such allocations are to be determined. This absence of uniformity makes possible added complexity for an enterprise operating in multiple foreign countries.

Paragraph 4 declares that no business profit is attributed to a permanent establishment because of purchasing it does on behalf of the enterprise of which it is a part. Paragraph 6 coordinates Article

7 with other articles of the treaty. Paragraph 7 defines “business profits” in special cases. Paragraph 8 incorporates the substance of IRC §864(c)(6) into the treaty. It specifies that, if a permanent establishment (or other fixed base) ceases to exist, payment of income or gain which accrued during its existence but that was not received until thereafter is still taxable in the contracting State where the former permanent establishment was situated. The interrelationship of this rule with other articles of the treaty can give rise to significant complexity.

Article 8 – Shipping and Air Transport

This article is divided into several paragraphs. The first specifies a rule to the effect that profits derived by an enterprise which is a resident of one of the contracting States from the international operation of ships or aircraft is only taxable by that State, not by the other State – even if the enterprise maintains a permanent establishment in the other State. This overrides the general rule for business profits set out under article 7. Paragraph 2 defines what is meant by “income from the operation of ships or aircraft in international traffic.” Paragraph 3 specifies a rule to the effect that profits derived by a resident enterprise of one contracting State from the use, rental, etc., of containers that are used to transport goods in international traffic are exempt from tax in the other State – even if the recipient is not engaged in the international operation of ships or aircraft and even if the recipient has a permanent establishment in the other State. Paragraph 4 specifies that the rules under paragraphs 1 and 3 apply to profits derived from participation in a pool, joint business, or international operating agency.

Article 9 – Associated Enterprises

This article consists of just two paragraphs. It deals with some of the most complex matters addressed in the treaty. In general, it employs the arm’s-length principle employed in U.S. domestic law regarding transfer pricing (see for example IRC §482). If related enterprises engage in a transaction otherwise than on an arm’s length basis (*e.g.*, if a higher-than-market price is “charged” a related enterprise for a component of a product), then the contracting State with jurisdiction to tax may adjust the taxable income and the tax liability of the related enterprises in order to reconstruct what would have been the correct income and tax attributable to the transaction had there been an arm’s length relationship between the related enterprises. Why would a related enterprise charge a higher-than-market price in a transaction with one of its related enterprises? Since article 7 (business profits) guarantees that the situs country can only tax a permanent establishment on net income and must allow it to deduct expenses in arriving at that amount, the higher the prices it pays to a related enterprise not taxable by the situs country (and consequently the higher the “expenses” it incurs in generating net income in the situs country) the lower its net income and thus the lower the tax it must pay to the situs country. While abuses in the case of the business profits of manufacturing enterprises can be extraordinarily difficult to prevent in a regime grounded on the arm’s length principle, those associated with business profits generated by currency transactions, futures contracts, and financial derivatives (especially those incorporating synthetic elements) are next to impossible to prevent. There clearly is a chicken-and-egg issue. On the one hand, some underlying international business activity is extremely complex and that complexity reflects, at least in part, efforts to minimize the overall tax liability of the international conglomerate of associated enterprises. On the other hand, a fundamental objective of relevant tax law must be fairness. If the United States (like its constituent States) relied on formulary allocation of the worldwide income of business enterprises engaged in international operations, relevant tax law (including treaty law) might theoretically be comparatively simpler. However, if the United States remains committed to reliance on the arm’s

length principle in an effort to achieve comparatively “fairer” tax liability, then the prevention of whatever abuses can be prevented necessitates significant complexity in relevant law.

Paragraph 1 of the article specifies circumstances under which adjustments are to be made by a contracting State. Paragraph 2 obligates the other contracting State to make corresponding adjustments.

Articles 10, 11, 12, 13, 18, and 21

These articles specify rules for various categories of income.

Article 10 – Dividends

This article specifies rules for taxing dividends paid by a resident of one contracting State to a beneficial owner that is a resident of the other contracting State. While demonstrating their own logic, these rules can be quite complicated. The first paragraph acknowledges the right of a dividend recipient’s State of residence to tax dividends received. The second acknowledges the right of the State which is the source of the dividends to tax recipients thereof that are residents of the other State, subject to limitations: generally, the rate of tax may not exceed 15% of the gross amount of the dividends but, if the recipient is a company that is a resident of the other State and that owns 10% or more of the dividend payer, then the rate of tax the source State may impose may not exceed 5% of the gross amount of the dividends. Generally speaking, indirectly held shares are not counted in determining eligibility for the lower rate of tax, However, an exception applies in the case of shares held through a fiscally transparent entity (such as a partnership). The third paragraph sets out rules under which the maximum rates of tax at source which are specified in paragraph 2 are modified. Thus, the lower rate is denied for dividends paid by US RICs and REITs and, in certain cases, both special rates are denied in the case of dividends paid by US REITs (thus allowing the US to impose its generally applicable statutory 30% rate of withholding). However, the 15% rate limit does apply to dividends paid by a US REIT to an *individual* who is a resident of the other State and whose ownership interest in the REIT is less than 10%. These rules regarding the special treaty rates of tax are obviously somewhat complex but they are intended to foreclose certain fairly obvious opportunities for abusively claiming the benefits of the lower rates. Paragraph 4 sets out rules applicable to a dividend recipient which is a governmental entity. Paragraph 5 specifies the various equivalents of dividends under US law. Paragraph 6 provides an exclusion from the limitations of paragraph 2 for dividends paid on shares held essentially as inventory (for example, shares held for sale by a securities dealer).

As noted above, paragraph 1 of article 10 allows a dividend recipient’s State to tax those dividends and paragraph 2 allows the State where a permanent establishment pays dividends to tax them. However, paragraph 7 restricts the right of a State otherwise to tax dividends paid by an enterprise that is a resident of the other State. Consequently, for example, the US is prohibited from “secondary” withholding on dividends paid by a *nonresident* enterprise out of US-sourced earnings and profits (*i.e.*, paragraph 7 overrides taxes which would otherwise be imposed under IRC §§ 871 and 882(a)). Except for taxes on branch profits, paragraph 7 also restricts a State’s right to impose corporate level taxes on undistributed profits. Since article 2 of the treaty (relating to taxes covered) specifically mentions the US accumulated earnings tax and the personal holding company taxes, the US is thus prohibited from imposing such taxes on a resident of a treaty partner *except* to the extent the earnings are attributable to a permanent establishment in the U.S. This paragraph does not, however, restrict a State’s right (*e.g.*, the right of the US) to tax its own residents in their capacity

as shareholders on undistributed earnings of a corporation which is a resident of the other State. Consequently, the US *is* allowed to impose its foreign personal holding company tax, taxes on Subpart F income, tax on any increase in earnings invested in U.S. property, and its tax on any Passive Foreign Investment Company (PFIC) that is a Qualified Electing Fund.

Paragraph 8 allows a State to impose a branch profits tax on a “corporation” resident in the other State. The model treaty does not define the term “corporation.” Therefore, that term is defined under the law of the State imposing the tax. Paragraph 8 specifies the base of a permissible branch profits tax (*i.e.*, a so-called “dividend equivalent amount”) which is specifically defined in the paragraph). Paragraph 9 limits the rate of a relevant branch profits tax to 5%.

Article 11 – Interest

Paragraph 1 of this article declares that, as a general rule subject to some exceptions, the State of residence of the recipient (*i.e.*, the “beneficial owner”) has an *exclusive* right to tax interest arising in the other State.

Paragraph 2 defines the term “interest,” *inter alia*, to include income paid under the terms of a debt obligation that carries a right to participate in profits but not to include any amount treated as “dividends” under Article 10. Thus, the treaty preserves a debt-equity distinction which bedeviled the IRS for many years and which no-one has ever been able to articulate. In light of the fact that this article of the treaty does not include rate limitations comparable to those imposed under the article relating to dividends, the distinction has financial significance. Various types of interest equivalents (such as OID) are also specifically included within the contemplated meaning of “interest.”

Paragraph 3 specifies an exception to the general exclusivity rule of paragraph 1. This exception applies in a situation where the recipient of the interest maintains a permanent establishment in the other State and the interest is attributed to that permanent establishment or a situation where the recipient of the interest is an individual and that individual is self-employed using a “fixed base” in the other State and the interest is attributable to that fixed base. In such situations, the rules of either article 7 (business profits) or article 14 (independent services) apply and the other State (rather than the State where the recipient of the interest resides) retains the right to tax the interest. Should a permanent establishment or fixed base have ceased to exist, backward-looking accrual rules apply.

Paragraph 4 sets out another special rule. It applies only in a case where a “special relationship” exists between the juridical person paying the interest and the juridical person receiving it. The model treaty does not define what is meant by the expression “special relationship” but the relationships specified in article 9 and, by implication, the definition of “control” supplied for purposes of IRC §482 are evidently intended to apply. When a relevant special relationship exists, if the amount of payments characterized by the parties as “interest” is larger than would be paid absent any special relationship (*i.e.*, where there is more “interest” than would be paid in an arm’s length arrangement), paragraph 4 specifies that the excess remains taxable under the domestic laws of the US and the other State, respectively, in accordance with other articles of the treaty. For example, if the State in which the interest arises would treat the excess amount as a distribution of profits by a corporation, then that excess could be taxed as specified under article 10 as dividends. Of course, the rate limitations of article 10 could apply in such an instance. How such an eventuality would work to the disadvantage of a taxpayer is not immediately clear. The paragraph does not deal

with situations where payments reflect a below-market rate of “interest.” In such cases, the contracting States would apparently be free to recharacterize the transaction to reflect its substance and the amount of shortfall would evidently be taxed (at least in the case of the US) as imputed interest.

Paragraph 5 sets out two exceptions to the general exclusivity rule of paragraph 1 to combat perceived abuses. The first exception relates to so-called “contingent interest” (that is, interest the amount of which is determined by reference to receipts, sales, income, profits, or other cash flow of the debtor or a related person or interest the amount of which is determined by reference to any change in the value of any property of the debtor or a related person or interest the amount of which is determined by reference to any dividend, partnership distribution, or similar payment made by the debtor or a related person) arising in one State and paid to a resident of the other State. In keeping with the general rule of paragraph 1, such contingent interest may be taxed by the State where the recipient resides – subject to the rate limitations imposed under article 10 with respect to dividends. Such contingent may also be taxed by the State where it arises according to the laws of that State. The second subparagraph essentially incorporates by reference the rules of IRC §§ 860E(e) and 860G(b) taxing fully excess inclusions with respect to a real estate mortgage investment conduit (REMIC).

The precise contemplated advantage of taxing interest received differently from the way dividends received are taxed is not immediately obvious. However, that perceived advantage is evidently the justification for this special rule (as well, of course, as for the different rules set out under article 10 as compared to those under article 11). The complexity of the foregoing rules seems self-evident.

Article 12 – Royalties

Subject to certain exceptions, paragraph 1 accords the State where the beneficial owner of royalties resides the exclusive right to tax their receipt. Paragraph 2 defines the term “royalties” to mean, in essence, payments received as consideration for the use of (or the right to use) a copyright, patent, trademark, design of model, plan, secret formula or process, “know-how,” or other like right or property (but *not* rental income from the lease of personal property). Paragraph 3 sets out an exception to the general rule of paragraph 1 which applies in a situation where the beneficial owner carries on a business through a permanent establishment (or fixed base) in the State where the royalties arise. In such a situation, either the rules of article 7 (business profits) or article 14 (independent personal services) apply. Paragraph 4 specifies rules where a “special relationship” exists between the person paying the royalties and the person receiving them. Article 12 only applies to the extent the royalties would have been paid absent the existence of the special relationship (*i.e.*, again reflecting the application of the arm’s-length principle favored by the United States). Any excess (or shortfall?) is taxable in accordance with other articles of the treaty and the domestic laws of the contracting States. Reliance on the arm’s-length principle implicates the complexity alluded to earlier.

Article 13 – Gains

By comparison to those under some of the other articles of the model treaty, the rules under this article are relatively uncomplicated. Paragraph 1 sets out a general rule to the effect that gains from the alienation (*i.e.*, sale or exchange) of real estate are taxable (but not exclusively) by the State where the real estate is situated. Thus, for example, the United States may apply IRC §897 to tax

gains derived from the sale of real estate located in the U.S. that is owned by a resident of a treaty partner. A definition under paragraph 2 of the treaty makes a cross-reference to IRC §897(c) which defines the term “United States real property interest” to include shares in a US corporation if it owns a sufficient amount of US-situated real estate on specified test dates to satisfy an asset-ratio test. Certain electing foreign corporations are also treated this way under IRC §897(i). Distributions by a REIT are taxed under article 13 of the treaty rather than article 10 (dividends) if they are attributable to gains from sales of real estate. Paragraph 3 relates to gains from dispositions of certain *movable* property (not real estate under US domestic law). Paragraph 4, in effect, reiterates the general rule of article 8 (and thereby fosters simplicity through uniformity of treatment) with respect to gains from the sale of ships, aircraft, and containers (and appurtenant movable property) operated in international traffic by according the State where the seller resides exclusive taxing jurisdiction. Paragraph 5, in effect, accords exclusive taxing jurisdiction to the State where the seller resides in all cases not contemplated by the preceding paragraphs of the article.

Article 18 – Pensions, Social Security, Annuities, Alimony, and Child Support

Paragraph 1 of this article specifies that the State where a recipient of a pension or similar remuneration resides has the exclusive right to tax it. [Note: This article does not cover pensions for government service.] Paragraph 2 specifies that social security benefits are taxable by the State which pays such benefits. Under paragraph 3, annuities for adequate and full consideration (not annuities for past services performed) are only taxable by the State where the recipient resides. [Note: Annuities for past services performed are considered deferred compensation and are subject to the rules under article 15 relating to dependent personal services.] Paragraph 4 specifies that alimony (if deductible by the individual paying it) paid by a resident of one State to a resident of the other State is taxable only in the State where the recipient resides. Paragraph 5 specifies that child support not covered by paragraph 4 (*i.e.*, neither deductible by the person paying it nor taxable to the recipient) is not taxable by either State.

Paragraph 6 is new to the U.S. model treaty. No corresponding provision is included in any of the other model treaties. It is quite detailed and somewhat complex. It is divided into three subparagraphs. Subparagraph (a) provides that, under certain conditions, employee contributions made in one State to a pension plan in the other State are deductible or excludable. Also, contributions by an employer are deductible in the State where relevant services are performed. However, where services are performed in the United States, the exclusion of employee contributions is limited as specified under IRC §402(g) and deductions for employer contributions are limited as specified under IRC §§ 415 and 404. Subparagraph (b) specifies that income earned by a pension plan is not taxable in the other State until distributed. Subparagraph (c) allows an individual to rollover funds from the State where that individual resides to a plan in the other State without being taxed in the other State. Several restrictions apply to the benefit conferred under this subparagraph.

Article 21 – Other Income

The general rule set out in paragraph 1 of this article specifies that items of income not dealt with in other articles of the treaty are only taxable in the State where the recipient (*i.e.*, the “beneficial owner”) resides. An exception is noted in paragraph 2.

Articles 14, 15, 16, 17, 19, and 20 – Overview

These articles specify rules concerning various categories of personal services for which individuals receive remuneration. Articles 14 and 15, respectively, apply broadly to self-employed income and income received in the capacity of an employee. Then articles 16, 17, 19, and 20 set out special rules which apply to certain particular categories of individuals or to particular types of income typically received by individuals but not by purely juridical persons. By comparison to the articles discussed above, those relating primarily to individuals are much less complex.

Article 14 – Independent Personal Services

The general rule stated in paragraph 1 of this article is simply that self-employed income is taxable by the State where the individual concerned resides and is exempt from taxation by the other State. However, if relevant services are performed in the other State and are attributable to a fixed base there that is regularly available to (though not necessarily actually used by) the individual concerned, then that other State is allowed to tax such income. Paragraph 2 recognizes the right of relevant individuals to deduct expenses associated with the performance of relevant services.

Article 15 – Dependent Personal Services

Paragraph 1 states the general rule that income which individuals receive in their respective capacities as employees may be taxed by the State where they reside as well as by the other State if they earn it there. Paragraph 2 sets out an exception under which the source State is not allowed to tax relevant income if (1) the income earner is present in it for 183 days or fewer; (2) the employee is not a resident of the source State; **and** (3) the amount concerned is not a deductible expense by a permanent establishment (or fixed base) of the employer in the source State. Paragraph 3 accords the State of residence exclusive jurisdiction to tax if the employee works as a member of the regular complement aboard a ship or aircraft operated in international traffic.

Article 16 – Directors' Fees

Under this article, the State where a company resides may tax fees paid to directors of the company even if they reside in the other State.

Article 17 – Artistes and Sportsmen

This article concerns the taxation by one State of the income earned within its territory by performers and entertainers (“artistes”) and professional athletes (“sportsmen”) who reside in the other State. The rules of this article supersede those of articles 14 (independent personal services) and 15 (dependent personal services). This article does not apply however to persons who perform ancillary services (*e.g.*, producers, directors, managers, coaches, etc.), who remain subject to articles 14 and 15. Paragraph 1 specifies that the income of a relevant individual is subject to tax by the State where performance occurs only if gross receipts annually exceed \$20,000 (or currency equivalent). Paragraph 2 is intended to prevent circumvention of rules otherwise applicable when remuneration for performance is paid to an agent or other intermediary. Thus, the State where the performance occurs may tax the recipient of the income attributable to that performance (if that is not the actual performer or athlete).

Article 19 – Government Service

Subparagraph (a) of paragraph 1 specifies that current compensation for government service paid by one State is generally exempt from tax by the other State. However, subparagraph (b) specifies that, if the employee is a resident of the other State and is either a national of that other State or did not become a resident of that other State solely for purposes of rendering relevant services, then, if the services are rendered in the other State, they are taxable exclusively by the other State. Paragraph 2 is likewise divided into two subparagraphs. Subparagraph (a) sets out a general rule to the effect that a pension paid by one State to an individual that is attributable to past government service in that State is taxable only in that State. An exception is set out, however, in subparagraph (b), according to which, if the recipient of a pension resides in the other State or is a national of the other State, then the pension is taxable only by that other State. [Note: Social security benefits payable to former government employees are subject to paragraph 2 of article 18, relating to pensions.]

Article 20 – Students and Trainees

This article specifies that the host State generally may tax visiting students, apprentices, and business trainees but that such individuals are exempt from tax on certain amounts they receive (for maintenance expenses and the costs of education or training). However, entitlement to the benefits of this article hinges on satisfaction of several conditions.

Remaining Articles of the Model Treaty

While some of the remaining articles of the treaty (especially article 22 imposing limitations on the benefits of the treaty (*e.g.*, anti-treaty-shopping rules) and article 23 supplying relief from double taxation) involve extraordinarily complex rules, the complexity primarily affects the competent authorities of the contracting States rather than taxpayers directly. Others of the remaining articles (*e.g.*, provisions regarding mutual agreement procedures) involve no complexity at all from the point of view of taxpayers.



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TAX SIMPLIFICATION IN SELECTED COUNTRIES

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AUSTRALIA

I. Introduction

In the early 1990s the federal income tax was by far the most important tax in Australia, raising 53.7% of total revenues in 1993.¹ In Australia only the federal government levies income tax; the various state governments depend on grants from the federal government and a miscellany of special taxes (land tax, payroll tax, stamp tax, etc.) for their revenues. In the mid-1980s a major overhaul of the income tax system added a capital gains tax, a fringe benefits tax, imputation (of income from dividends), and major modification of taxation of foreign-source income. In December 1993 the federal Treasurer announced a Tax Law Improvement Project, intended to rewrite and simplify tax legislation.²

Before passage of the Income Tax Assessment Act 1997,³ and the Tax Law Improvement Act 1997⁴ the primary legal framework for the income tax was the Income Tax Assessment Act 1936. This covered taxation of the incomes of both individuals and companies. When introduced in 1936 the Act was 126 pages long and had a structure and numbering system that was easy to follow. Subsequent modifications of the tax system took the form of amendments to this Act. By 1996 the Act was approaching 6,000 pages in length. Together with ancillary legislation it was published in four thick volumes with small type. Between 1936 and 1976, 500 pages were added to the law, with another 1,000 pages from 1976 to 1986, and over 3,000 more added by 1996.⁵

Writing in 1996, the University of Sydney's Professor Richard Vann summed up Australia's income tax law as drafted in "a peculiarly turgid and convoluted style so that it may now lay claim to the dubious twin titles of being the longest income tax statute in the world and the most unreadable."⁶ A December 1995 report of Britain's Inland Revenue dealing with tax simplification in Australia noted that the 1936 Act had section numbers that were virtually unmanageable, such as the often-cited 159GZZZZA(2)(b)(iii)(B) ITAA 1936.⁷ The same report described the Act as having "a structure, the logic of which is difficult to identify." Not only was the income tax law long; it was difficult to understand.

Part of the difficulty stemmed from the practice of adding material to the legislation rather than to regulations. No explanation for this practice has been found, but it may be related to issues of judicial interpretation of the tax laws. Australia has a common law system, in which the decisions of judges

¹ OECD Revenue Statistics, cited in Richard Vann, "General Description: Australia" in Hugh Ault, ed. *COMPARATIVE INCOME TAXATION: A STRUCTURAL ANALYSIS*. (Boston, Kluwer) 1997, p. 6.

² Parliament of Australia, Tax Law Improvement Bill 1997, Explanatory Memorandum, A. General Outline, Background. At <<http://law.ato.gov.au/atolaw/>>.

³ Income Tax Assessment Act 1997, No. 38.

⁴ Tax Law Improvement Act 1997, No. 121.

⁵ *Supra*, note 1, p.10.

⁶ *Id.* P.10

⁷ United Kingdom, Inland Revenue, *THE PATH TO TAX SIMPLIFICATION: A BACKGROUND PAPER: ANNEX 3, TAX SIMPLIFICATION IN AUSTRALIA, NEW ZEALAND AND OTHER COUNTRIES*. (London, 1995) p.57. A copy of this is provided as an attachment.

comprise an essential element of the law. Through the early 1980s Australian courts seem generally to have followed a very strict and literal approach to interpreting tax legislation, paying attention to the precise words of the statute rather than to the intention of the Parliament or the motivation of the taxpayer. The style was summarized by Professor Vann as "a judiciary which in the past did not admit the impossibility of stating a rule in legislation for every conceivable circumstance."⁸ The courts' focus on the details of specific circumstances and cases meant that it was hard to discern a consistent tendency or pattern to judicial interpretation. Further difficulties stemmed from the absence of a special tax court and hence of specialized tax judges.

On the one hand, the uncertainty of judicial interpretation probably encouraged litigation; on the other, it motivated those drafting amendments to the legislation to add more and more detailed clauses and specifications. The resulting feedback loop was one of the primary causes for the explosive growth in the length and decline in the intelligibility of the tax laws.⁹

II. Changes Made to Achieve Income Tax Simplification

From the late 1980s on, there was growing recognition of the problems discussed above. The judges themselves began to pay more attention to the purpose of the legislation and took more "extrinsic" material into account.¹⁰ In 1987, the Acts Interpretation Act 1901, which contains rules for the interpretation of statutes, was amended to require that the purpose of the legislation be considered and that citation of circumstances need not be regarded as exhaustive.¹¹ The approach to drafting legislation began to change, with the Office of Parliamentary Counsel, which drafts all legislation, beginning to simplify the style of laws and adding purpose statements and more detailed explanatory memoranda.¹²

In November 1991, Parliament asked the Joint Committee of Public Accountants to report on the procedures the Australian Taxation Office (ATO) used in collecting the income tax. In the inquiry, the Committee found that ATO staff, as well as private tax accountants and lawyers, faced great difficulties in understanding and applying the tax law. The Committee concluded that the Income Tax Assessment Act 1936, "possibly the most important piece of economic legislation in Australia," was in desperate need of a comprehensive overhaul. In its report of November 1993, the Committee recommended that the government establish a broadly-based group to redraft the Act, aiming for comprehensive simplification within five years.¹³

In December 1993, the Treasurer announced the establishment of the Tax Law Improvement Project, (TLIP) which was to redraft the law in a plain English, user-friendly form without making any

⁸ *Supra*, note 1, p.14.

⁹ *Supra*, note 7, p.60.

¹⁰ *Supra*, note 1, p.13.

¹¹ Statute Law (Miscellaneous Provisions) Act 1987, No. 141 of 1987, Schedule 1, amending the Acts Interpretation Act 1901, §§15AC, 15AD.

¹² The explanatory memorandum is the official government explanation of the purpose or need for a law that is introduced into Parliament along with the proposed legislation. *Supra*, Note 1, p.13.

¹³ *Supra*, Note 7, p. 60.

significant changes to the content of the legislation. This was to be done by a team of some 50 individuals from the ATO, the Treasury and the Office of the Parliamentary Counsel. A 14-member Consultative Committee of individuals from outside the government was established to review the work of the TLIP. Simplification of the income tax law was intended to reduce compliance costs for taxpayers as well as administrative costs for the ATO.

The Project attempted to simplify the law in two major ways. First, individual sentences and paragraphs were rewritten in plain English, with ample use of such modern design and drafting techniques as running headings, diagrams, tables, examples, and statements of key principles at the beginning of each major subdivision. Words and phrases with a relatively settled case law meaning were retained, to avoid any uncertainty that might result if they were changed. Secondly, the entire 1936 Act was reorganized to make it more coherent and easier to understand. It was divided into six distinct chapters, intended to move from general principles in chapters one and two to particular cases and situations in late chapters. Each of the six chapters was divided into Parts; each Part into Divisions, and then into Subdivisions and sections. The goal was to permit the text to cope with changes in tax policy while retaining its overall logical coherence.¹⁴

The Project began by selecting small portions of the law for redrafting and submitting these to Parliament and to the public for comment and feedback. In August 1994 it released a draft bill that rewrote the sections of the tax law on substantiation - the need to maintain records to verify expenses claimed as deductions. This was passed by Parliament as the Tax Law Improvement (Substantiation) Act 1995.¹⁵ Several subsequent Acts, identified as tax law improvement acts (rather than taxation laws amendment acts) were passed through 1997.

The major effort of the Project was the Income Tax Assessment Act 1997.¹⁶ This Act, which went into effect on July 1, 1997, replaced much of the Income Tax Assessment Act 1936, although, as it was not meant to change the content of the law, all provisions of the 1936 Act not specifically amended by an amendment act remained in force. The Tax Law Improvement Act 1997 (No. 121 of 1997) was the second major installment of the redrafting of the 1936 Act. The effort to write plainly is reflected in such relatively unusual features of legislation as directly addressing the citizen as "you," so that Section 4-10 of the Income Tax Assessment Act 1997 expresses the core of the entire Act as "You must pay income tax for each year ending on 30 June, called the *financial year*." (The bold face in the original indicates a term defined in a separate dictionary at the end of the Act) The efforts made to render a necessarily complex body of legislation intelligible are reflected in the extensive dictionary of terminology, the frequent cross-referencing, and the use of diagrams and tables. For examples of these, see the attachment.¹⁷ It is certainly far easier to read and understand than the Act it replaces, but there are still several thousand pages of text. The Table of Contents to the Act alone is 67 pages long.

¹⁴ *Id.* P.65.

¹⁵ Tax Law Improvement (Substantiation) Act 1995, No. 30.

¹⁶ Income Tax Assessment Act 1997, No. 38. Portions of this are provided as an attachment. The complete text is at <<http://scaleplus.law.gov.au/html/pasteact/htm>>.

¹⁷ Attachment 1, Sample pages (17 in all) selected from the Income Tax Assessment Act 1997 to illustrate the drafting techniques used to render the law more intelligible.

The Explanatory Memorandum to the 1997 Act explains that the new legislation will be implemented in a piecemeal fashion, with the new Act growing progressively and the operative provisions of the 1936 Act shrinking. During the transition period the two Acts will work together. Readers will begin with the 1997 Act and then be directed to the appropriate place in one text or the other.¹⁸

III. Effectiveness of the Income Tax Simplification Changes

No comprehensive assessment of the changes by the Australian government has been found. It was discussed and criticized in a number of specialized Australian tax journals, none of which is in the Library of Congress collections. They are summarized in an annual guide to Australian tax law.¹⁹ Tax professionals criticisms of the TLIP included:

- absence of review of policy issues; restriction of tax simplification to language and organization of legislation
- confusing circularity - "expense" is substituted for "loss or outgoing," which is glossed as "expense"
- unintended but significant changes to the wording, which may result in subtle shifts in the meaning of key provisions, which may create uncertainty by making existing case law irrelevant
- patronizing and inaccurate language caused by confusion about the intended audience. Most readers will be tax professionals rather than semi-skilled workers with minimal reading proficiency.

To some degree, such criticisms may themselves be criticized as the reaction of those who had with great effort mastered an arcane and difficult body of knowledge and now saw their monopoly threatened. Some professionals were more supportive of the project and the methods it used. Differences of opinion are probably to be expected.

The very general and sweeping nature of the changes, along with their proclaimed restriction of simplification to form rather than content, render estimates of their effectiveness very difficult. Tax simplification is a general goal supported by all political actors, although changes to the income tax code proposed by one political party or Member of Parliament and described as tax simplification could be opposed by another with the argument that the changes are not really simplification. An example of the rhetoric used by the government is provided by the explanatory memorandum supplied by the Treasurer to accompany the Bill that became the Tax Law Improvement Act 1997.²⁰ It states that the rewrite of areas of the 1936 Act "adopts features designed to make it easier for readers to read, use and apply the new law

¹⁸ Cited in Woellner, Vella, Burns, Barckoczy and Krever, 1999 AUSTRALIAN TAXATION LAW (Sydney, CCH Australia Ltd., 1998) p.41, ¶1-248.

¹⁹ *Id.* Pp 37-41.

²⁰ Tax Law Improvement Act 1997, No.121.

and, as a result, lower costs of compliance."²¹ It concludes that the Bill should achieve a noticeable reduction in compliance costs. "That reduction will not occur because of any single change but from the accumulation and combined impact of many small improvements." More specifically, the number of complex calculations will be cut back, rules that have essentially the same effect will be standardized, record keeping obligations will be reduced and the law will be brought into line with practical administrative positions.²²

IV. Conclusion

Although such general benefits as reduction in compliance costs and in administrative costs, as well as possible improvement in voluntary taxpayer compliance are difficult to measure or to assign to any specific feature of the redrafted income tax law, they do not appear to be unlikely consequences. It is notable that the efforts to simplify the income tax law seem to have had sufficient support and reflected a broad enough consensus that they have not become issues in Australian political life.

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²¹ Parliament of Australia, Tax Law Improvement Bill 1997, Explanatory Memorandum, A. General Outline at <<http://law.ato.gov.au/atolaw/>>.

²² *Id.* Part E, Compliance Impact.

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INDONESIA

I. Introduction

The Republic of Indonesia achieved independence from the Dutch in 1949. Its current administrative divisions consist of twenty-four provinces and three provincial-level special territories. These divisions are subdivided into districts and municipalities; below these are the subdistricts and villages.

Indonesia inherited an outmoded and inefficient tax structure when it became independent. Thus, prior to 1984, the date of the new Income Tax Law, personal income tax was regulated by the 1944 Income Tax Ordinance, amended many times up to 1970, and corporation income tax was regulated by the 1925 Corporation Tax Regulation, which was similarly amended many times up to 1970. In the light of high inflation rates and low rates of economic growth that Indonesia experienced in the decades of the 60's and 70's, the Indonesian government passed the new Income Tax Law, Law No. 7 of 1983 which came into effect the following year. The law was amended by Law No. 3 of 1991 which came into force in 1992.

According to one authority, the tax reforms that were put in place in 1984 represented "an attempt to secure revenue, income distribution, and efficiency goals by reliance upon a vastly simplified tax system imposed on a very broad base..."¹ Another expert, writing on the tax reform experiences of Chile, Indonesia, and Uruguay, puts forward "simplification" as being "the term that would most aptly cover the many aspects of the Indonesian [tax] reform effort."² He states that the first simplification was the conversion from the old turnover tax to a modern value-added tax, which was confined to manufacturers and excluded the agricultural and the wholesale and retail selling stages. The second simplification was the elimination of numerous tax incentives. The third simplification was in the area of the personal income tax, implemented through broadening the tax base and reducing the rate structure, (the maximum rate decreasing from 50 to 35 percent), and also through having one income tax to replace four different taxes, described as a crude type of category income tax system. Fringe benefits were eliminated from income, and at the same time their deductibility by businesses was also eliminated. Depreciation accounting for tax purposes was also simplified by using declining-balance depreciation to cover four major categories, while withholding was generalized to cover payments of dividends, interest, and rents, as well as wages and salaries.³

The final key element of simplification, according to the same authority, was the taxpayer-identification system, which made it possible to cross-check returns and also to select returns for audit on

¹ Malcolm Gillis, *Micro- and Macroeconomics of Tax Reform: Indonesia* in Richard M. Bird and Oliver Oldman, eds. *TAXATION IN DEVELOPING COUNTRIES*, 4th ed., 76 (Baltimore, Johns Hopkins University Press, 1990).

² Arnold C. Harberger, *Lessons of Tax Reform from the Experiences of Uruguay, Indonesia, and Chile*, in Malcolm Gillis, ed., *TAXATION IN DEVELOPING COUNTRIES* 32-34 (Durham, Duke University Press, 1989).

³ *Supra*, note 2, at 34.

the basis of objective criteria.⁴

II. Changes Made to Achieve Income Tax Simplification

The new law that came into effect early in 1984 integrated the personal income tax and the corporation income tax, which had previously been treated separately, into a new "income tax."

Some of the measures aiming to simplify the income tax system are as follows:

The law defined a "tax subject" as including both individuals and businesses.⁵

Income tax became a "global tax," with all kinds of income being taxable, including wages, salaries, honoraria, interest, dividends, royalties, net profits, and capital gains, which were now to be all treated alike, whereas formerly different kinds of income carried different rates of tax liability.⁶ For any given income level, therefore, all income would be taxed at the same rate.

All gross income, under the new law, was consolidated into one tax return, with taxable income computed by subtracting well-defined personal exemptions, exclusions, and deductions (including depreciation and costs of income generation).⁷

Tax brackets were reduced to three: 15 percent, 25 percent, and 35 percent, where the highest marginal tax rate had formerly been 50 percent. In 1995, the top rate was reduced to 30 percent.⁸

Rules on withholding income tax were also greatly simplified. Instead of tax being withheld on all forms of income, as was done under the previous system, withholding was limited to wages and salaries, interest, dividends, and royalties.⁹

The rules on depreciation were greatly simplified, with all depreciable items classified according to their useful lives into four categories, with clearly stated annual depreciation tariffs ranging from 10 to 50 percent.¹⁰

The tax treatment of fringe benefits was simplified. Employers could no longer deduct the cost of fringe benefits such as insurance premiums, donations, housing, automobiles, vacations, etc., paid by

⁴ *Id.*

⁵ Art. 2, Law of the Republic of Indonesia Number 7 Year 1983 Concerning Income Tax, 1 TAX LAWS OF THE WORLD: INDONESIA (Ormond Beach, Foreign Tax Law Publishers, 1988).

⁶ Art. 4.

⁷ Art. 6.

⁸ Art. 17.

⁹ Arts. 20, 21, 23, and 26.

¹⁰ Art. 11.

the employers for the benefit employees.¹¹ This was intended to prevent the abuse of tax laws by deducting large numbers of expensive goods and services, especially by business executives of large companies.¹²

Investment tax credits and tax holidays previously allowed to firms were eliminated.

Previously, all business firms were obliged to maintain detailed accounts for audit by tax assessors. Smaller firms, i.e., those with annual turnovers of less than Rp 60 million, were now permitted to follow the system of "calculation norms," or guides, periodically issued by the tax authorities, in lieu of keeping detailed accounts.¹³

The new system of income tax was based on self-assessment, with the tax authorities auditing only a selected sample of returns. Previously, the tax authorities had been obliged to audit all tax returns, overly burdening its administrative capabilities.¹⁴

III. Effectiveness of the Income Tax Simplification Changes

A study written in 1988, four years after the new income tax system was instituted and published the following year, analyzes the impact of the reforms upon revenues, economic stability, and tax administration. Regarding revenues, it states that evidence up to that time suggests that the reforms had been successful beyond expectations. In 1986, the ratio of non-oil taxes, which included the VAT, to the Gross Domestic Product (GDP) exceeded 9 percent for only the second time in Indonesian history, and was fully 50 percent greater than in 1984. The introduction of the VAT had no impact on inflation, and did not affect the price level, as indicated by consumer price indices, contrary to predictions that such an introduction would result in an acceleration of inflation. Lastly, the author of the study argues that the administration of taxes had improved since the reforms were introduced, stating also that with the introduction of the VAT, tax evasion had likely declined.¹⁵

A 1997 study on Indonesia's reforms of its tax system attempts to evaluate its success in fulfilling its objectives. With respect to income tax, the author furnishes figures showing that the ratio of income tax revenue to the country's Gross Domestic Product increased sharply after tax reform.¹⁶ Overall, the author is of the opinion that the tax system which emerged as a result of the reform program represents "a substantial improvement over the prereform situation" and that the reforms have strengthened the

¹¹ Art. 9.

¹² J.S. Uppal, *TAXATION IN INDONESIA* 28 (Yogyakarta, Gadjah Mada Press, 1986).

¹³ Art. 14.

¹⁴ *Supra*, note 12.

¹⁵ Malcolm Gillis, *Comprehensive tax reform: the Indonesian experience, 1981-1988*, 105-107, in Malcolm Gillis, ed., *TAX REFORM IN DEVELOPING COUNTRIES* (Durham, Duke University Press, 1989).

¹⁶ Mukul Asher, *Reforming the tax system in Indonesia* 132, in Wayne Thirsk, ed., *TAX REFORM IN DEVELOPING COUNTRIES* (Washington, D.C., The World Bank, 1997).

foundations of the tax system.¹⁷

An article in the Jakarta Post of October 27, 1999, consisting of a Financial Times Asia Intelligence wire dispatch, compared current Indonesian tax revenues with those of some of its neighboring Asian countries. It showed income tax receipts as constituting 4.8 percent of the Indonesian GDP, as compared with 11.5 percent of the Malaysian GDP being made up of income taxes, 9.8 percent of GDP in the Philippines, 10.7 percent of GDP in Thailand, and 6.3 in S. Korea. Income tax rates in these countries were also compared, ranging from 10 to 30 percent in Indonesia, 5 to 40 percent in Malaysia, 10 to 35 percent in the Philippines, and 5 to 45 in Thailand.¹⁸

The authors of the article estimate that between 85 to 90 percent of people in Indonesia do not fall into the income tax net, having incomes below the income tax threshold. Less than one million, or less than one half of one percent of the total population, are even registered for filing tax returns, and from this small group of registered taxpayers, only 55 percent actually filed returns. Also mentioned are the huge tax arrears to be collected, estimated at, for income tax alone, Rp. 6.236 billion in 1997-98, constituting 17 percent of the total collectible tax, as well as the increase in recent times of the rate of tax delinquency, and the existence of massive tax evasion.¹⁹

Another interesting point made is that although there were only a few exemptions and deductions when the new income tax law was passed, loopholes were later introduced which have seriously eroded the Indonesian tax system. The authorities are urged to eliminate these loopholes and to strengthen the tax administration and give it more independence.²⁰

IV. Conclusion

In conclusion, some information regarding the planning stage of the tax reform program might be appropriate. Although the practice with many countries that have carried out extensive tax reforms has usually been to issue an official study or plan describing or defining the measures to be taken, Indonesia did not draw up an Income Tax Simplification Study either before or after the tax reform measures were taken. Instead, in early 1981, a series of eight ministerial-level decisions regarding tax reform strategy and tactics were made. The first decision, on the timing of completion of technical studies, was to allot two and a half years to the formulation of these technical studies on reform. The second was to give a team of domestic and expatriate lawyers the responsibility of converting tax decisions into draft legislation, with another three months for the final drafting process, so that the period from initiation of technical studies to final drafts of legislation was 33 months. The third decision was to form a steering committee of senior government officials drawn from the Finance Ministry, including its tax department, to oversee as well as to participate in the work of the technical expatriate team. Fourth, the decision was made that at least in the first two years of the preparation, the effort would be low-key in nature. Fifth, the

¹⁷ *Id.*, at 163.

¹⁸ *Raising revenue without tax hikes*, THE JAKARTA POST (October 27, 1999), retrieved from the Lexis-Nexis database.

¹⁹ *Id.*

²⁰ *Supra*, note 18.

Indonesian government sought to establish a cadre of well-trained officials to operate the new system in the future, sending younger tax officials abroad for training. Sixth, it was decided that reform efforts could begin with a *tabula rasa*, and that nothing in the old system had to be retained. The seventh decision was to broaden the tax reform program to cover procedural, administrative, and implementation issues, including investment in a new computerized tax information system to be on stream by 1984. The eighth and last decision was that the end product sought would not be a formal final report drawing together all recommendations into one volume, but that rather, technical studies on particular tax issues would be made available to the decision makers as they were completed.²¹

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²¹ *Supra* note 1, at 78-80.

LAW LIBRARY OF CONGRESS

IRAN

I. Introduction

The Tax Law of March 1967¹ went through several amendments before and after the Islamic Revolution of February 1979.² A new tax law was enacted ten years later, in April 1988, which, in addition to reflecting the changes necessitated by the new economic environment ushered in by the revolutionary regime and the devaluation of the Iranian currency, was an effort to simplify certain aspects of the previous highly complicated taxation system, briefly referred to below.

II. Changes Made to Achieve Income Tax Simplification**A. Business Tax**

The new tax act authorized the Ministry of Economic Affairs and Finance to assess the amount of tax to be levied on various professions as determined by their respective union. These assessments will be considered final. The Law also provides that if a member of the profession claims that his business was not in operation for the whole or for part of the tax year, his tax will be pro-rated.³

B. Taxation Rates and Elements

Tax rates and elements are applied to any occupation, business, or trade in reckoning the amount of taxable income of that particular trade or business, *ex officio*. The Tax Law of 1966 had listed 16 elements used by the tax examiner to assess the amount of tax on each business or trade. Included among those elements were:

1. capital,
2. annual purchases,
3. annual sales,
4. gross income,
5. annual rent,
6. amount of payments as wages and salaries,
7. production capacity,
8. raw materials used,
9. number of rooms or beds in a hotel,
10. vehicular capacity of transportation facilities,
11. number of cattle slaughtered in a slaughter house,

¹ MAJMU'AH QAVANINI SALI 1345 [Compilations of the Laws for the Years 1966-67 -official gazette of Iran published by the Ministry of Justice].

² *Id.* 1367 [Compilations of the Laws for the Years 1988-89].

³ *Id.* Note 6, art. 98.

12. number of physicians and beds in a hospital,
13. number of showers in a public bath,
14. circulation volume of a newspaper,
15. total amount of registration and other charges in case of an official registration office, and
16. taxation record.⁴

The Taxation Act of 1988 simplified and reduced the taxable elements as follows:

1. annual purchases,
2. annual sales,
3. gross income,
4. production income,
5. total amount of registration and other charges and fees in case of an official registration office, and
6. other elements as determined by the assessment committee.⁵

C. Examination Exemptions

The Taxation Act of 1988 authorized the Ministry of Economic Affairs and Finance to announce by a public notice in certain areas of the country, as deemed advisable by the Ministry, that the tax returns submitted in a timely manner by the eligible taxpayers in those areas shall be accepted without examination. The Ministry reserves the right to conduct random examination of the tax returns.⁶

D. Tax Payments by Installments

The Ministry of Finance is authorized to allow payment by installment options for taxpayers unable to make a lump sum payment. Such taxpayers may be given up to three years to settle their taxes and penalties.⁷

E. Rewards

The taxpayers who are required to keep their operations recorded in special books, whose tax returns and balance sheets have been accepted for the past three years, and who have paid their taxes without being referred to the taxation settlement boards shall be awarded by being credited with 9% of their taxes paid over the past three years.⁸

When a taxpayer comes to an agreement with the local tax examiner or the general tax examiner and

⁴ *Supra* note 1, art. 128.

⁵ *Supra* note 2, art. 152.

⁶ *Id.*, art. 158.

⁷ *Id.*, art. 167.

⁸ *Id.*, art. 189.

pays the amount of tax assessed, he shall be exempt from up to 80% of the penalties.⁹

If a taxpayer claims that the non-payment of his/her tax is due to certain causes beyond his control, he may be exempt from payment from all or part of the penalties by the tax examiner if his previous tax records justify acceptance of the claim.¹⁰

III. Effectiveness of the Income Tax Simplification Changes

The available sources in the Law Library do not contain any statistics to show how far the new tax law has been effective in reducing bureaucratic procedures or encouraging the taxpayers to pay their taxes on time and avoid penalties.

IV. Conclusion

The Tax Law of 1967 contains 319 articles versus the Tax Act of 1988 with 271 articles, indicating an effort towards simplification of the taxation system. The new tax law has encouraged the taxpayers to come to an agreement with the tax assessor by offering certain rewards and exemptions from penalties without making an appeal to the tax settlement boards. The highest tax authority on appeal is the High Taxation Council, composed of 25 members. The Council hears appeals from the final decisions of the Taxation Settlement Boards where there is a point of law and the taxpayer claims that the decisions made by the Settlement Board are in violation of the taxation laws and regulations.

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⁹ *Id.*, art. 190.

¹⁰ *Id.*, art. 191.

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JAPAN

I. Introduction

Japan introduced an income tax system in 1887 and became one of the first countries to use the income tax with modern features. However, income played only a minor role in the total tax revenues; land tax accounted for the largest share of national taxes until 1908. Only after 1935 did income tax on individuals and corporations become the most important single source of total revenues.¹

In 1940, an overall tax reform was carried out to meet the requisites of the wartime economy, resulting in a modern tax system based on direct taxes. The income tax was divided into the income tax (on natural persons) and corporation tax. Since then, the term "income tax" has meant only the tax imposed on individuals under the Income Tax Law and the term "corporation tax" means the one imposed on income of corporations under the Corporation Tax Law. The new income tax consisted of a bipolar system: scheduler taxes and a graduated global tax.²

The process of reforming the tax system in postwar Japan was initiated by the United States. In 1947, the bipolar system of income taxation was replaced by a purely global tax with progressive rates and the American "self assessment" system superseded the traditional method of government assessment and collection. In 1949, a tax mission headed by Carl S. Shoup (known as the Shoup Mission) came to Japan to review the structure and administration of the Japanese taxation system. After four months' study, the Shoup Mission submitted recommendations for an overall tax plan, which was incorporated in the 1950 tax reform. However, many of the taxes were modified subsequently in an effort to adapt them to Japanese society.³

II. Changes Made To Achieve Income Tax Simplification

(1) Early Reform - Withholding Tax. In principle, individual income tax is paid on a self-assessment basis by filing a final tax return with the tax office. Since the 1949 Shoup Mission's recommendations on the overall reform package, Japan has placed increasing importance on withholding taxes at source.⁴ The Income Tax Law⁵ requires that those who pay wages, salaries, interest, and other income specified by law withhold income tax and remit the amount to the tax office on behalf of income

¹ H. Ishi, *THE JAPANESE TAX SYSTEM 3* (Oxford, Clarendon Press, 1993).

² C. S. Shoup, *Tax Mission to Japan, 1949-50*, in M. Grills ed., *TAX REFORM IN DEVELOPING COUNTRIES 180* (Durham, Duke University Press 1989).

³ *AN OUTLINE OF JAPANESE TAXES 1999 EDITION 6* (Tokyo, Ministry of Finance, 1999).

⁴ The withholding system was originally adopted in 1899 for interest income only, but expanded to cover employment income and dividends in 1940.

⁵ Arts. 181-189, Law No. 33, Mar. 31, 1965, as last amended by Law No. 121, Aug. 6, 1999.

earners before the 10th of the month following the month in which the payment was made. Withholding what is essentially a prepayment of income tax or corporation tax (withheld at source) is credited against the taxpayer's final liability for the year. In terms of simplicity of tax administration, this is one of the most notable features of the Japanese tax system. Because the majority of wage and salary workers are not required to file tax returns and almost 80% of individual income taxes are withheld at source, there is little direct cost to the tax authorities.⁶ It should be noted, however, that almost all of the employees' investment income is subject to separate taxation.

(2) Early Reform -- Blue Return. Mention should be made of the blue (color) return system which was adopted at the recommendation of the Shoup Mission in 1949. This system involved a basic overhaul of the administration of the income tax system. Under it, an income taxpayer who agrees to keep account books and records as specified by the tax authorities may file a blue return. Its main objective is to encourage small- and medium-sized businesses to improve book-keeping and to maintain honest self-assessment. Taxpayers filing a blue return are not subject to reassessment as long as errors cannot be found in their accounting books and records. Moreover, they are accorded numerous benefits and privileges. The system may not directly involve simplicity of tax administration, but it is regarded by the Tax Administration as the fundamental requirement for efficient tax administration.⁷

(3) Takeshita Tax Reform of 1988. In November 1987, Prime Minister Noboru Takeshita asked the Tax Advisory Commission to submit reports on tax reform. On the basis of these reports, the Tax Reform Law⁸ was approved by the Diet on December 24, 1988, and promulgated on December 31 of the same year. The legislative intent and principles of tax reform are spelled out in articles 2 and 3, as follows:

The reforms are intended to construct a better-balanced tax system among income, consumption, property, etc., led by the idea that a broader range of people should share the basic burden of paying for the common costs of the society, based on the fundamental principle of equity, neutrality, and simplicity, considering social and economic developments such as the increase and the equalization of the income standard, the diversification of the consumption pattern, the larger share of service consumption, the aging of the population, etc.⁹

The stimulus for this reform may have been the example set by the successful U.S. tax reform of 1986. Under the 1988 Takeshita tax reform, article 89 of the Income Tax Law¹⁰ was revised in order to simplify progressive rate structures to a five-bracket tax rate structure (10% - 50%) from the previous 12 brackets (10.5% - 60%). It was mainly designed for the benefit of low- to middle-income earners in their forties or fifties who have pressing financial obligations (education, housing, etc.). At the same time, income tax rates were sharply reduced from the 12 brackets. In addition, there were various increases of standard personal allowances and exemptions. The basic tax rate on corporate income was also reduced--

⁶ *Supra* note 1, at 377.

⁷ *Id.* at 74; *supra* note 3, at 62.

⁸ Law No. 107, Dec. 30, 1988.

⁹ *Supra* note 3, at 14.

¹⁰ LAW No. 109, Dec. 30, 1988.

from 42% to 40% (1989) and 37.5% (1990) for ordinary corporations and from 30% to 29% (1989) and 28% (1990) for small- and medium-sized corporations--but no major efforts have been made to broaden the corporation tax base (see Appendix I taken from *An Outline of Japanese Taxes, 1999*).

(4) Tax Reform of 1994. The intent and principles enunciated in the Tax Reform Law of 1988 were further implemented by the revision of the Income Tax Law in 1994. The tax burden of individual income tax was decreased mainly for the benefit of the middle income class. For the marginal tax rate schedule for married couples with two children under the revised Law, see Appendix II.

III. Effectiveness of the Income Tax Simplification Changes

Professor Hiramitsu Ishi, a member of the Tax Advisory Commission in the Takeshita Cabinet who is the author of *The Japanese Tax System* (see pp. 368-382) has stated that "a simpler tax system plays an important role in enhancing the efficiency of tax administration" and that the withholding tax system, which is firmly built into the basic structure of individual income tax, is one of the distinctive features of the efficiency of tax administration in Japan. He further stated that tax reforms strengthen the use of withholding, thus accelerating the trend toward making the tax system simpler.¹¹

Under the 1988 tax reform, a calculation of tax based on the typical family consisting of a single wage-earner couple with two dependents revealed that those earning less than three million *yen* would be able to reduce their income tax liability from 48,500 *yen* to 8,800 *yen*, or an 81.9% tax cut; the higher the income level, the lower the ratio of income tax reduction relative to the previous tax amount. It may be said that the introduction of broader income brackets with a flatter rate structure caused these changes in income tax burden, which were intended mainly to benefit low- to middle-income people. On the other hand, increases in various exemptions contributed to a decreased tax burden for lower income groups.¹²

Pointing out that "in order to simplify and reform income tax in Japan, a flatter tax rate scheme has become a most important strategy for tax reform," Professor Ishi commented on the 1988 tax reform in the following terms:

... the base-broadening efforts are inadequate; therefore the lowering of tax rates cannot be justified. Lower rates enable the tax base to be broadened, but the government did not fully stress this factor for fear of political repercussions. Reflecting the insufficient attempt to achieve base-broadening, the reduction of progressive tax rates had to be very limited, leaving the flatter rate scheme unfinished, in comparison with the experiences of other countries.¹³

¹¹ *Id.* at 378.

¹² *Id.* at 368-369.

¹³ *Id.* at 381-382.

V. Conclusion

The 1988 tax reform is the most important tax reform to constitute an attempt to simplify income tax in Japan. Its main target was to keep tax rates as low as possible, while reducing the number of income brackets. However, as compared with the modest flat tax adopted by the United States and the United Kingdom, the Japanese reform is far from satisfactory.¹⁴

It has been suggested that future Japanese tax reform should aim at reducing more income brackets, e.g., to two or three, and define all investment income as ordinary income. Further simplification of the progressive rate structure is necessary in order to aggregate all income, including investment income, into a unified income tax. The top rate might be lowered by as much as 30-35%.¹⁵ In this respect, the tax rate reduction under the 1994 reform still seems to be inadequate.

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¹⁴ *Id.* at 381.

¹⁵ *Id.* at 382.

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NEW ZEALAND

I. Introduction

Tax simplification recently has been announced as a goal of a succession of New Zealand governments. Major changes envisioned have encompassed both substantive and administrative amendments, but the former have yet to be realized through the enactment of any sweeping laws. Despite the recommendations of numerous groups, commissions, and committees that have advocated the creation of a far less complicated system, the most recent privately consolidated version of the Income Tax Act, the Income Tax Regulations, tax treaties, and related legislation fills three substantial volumes.¹

II. Changes Made to Achieve Income Tax Simplification

In 1998, New Zealand did enact a Taxation (Simplification and Other Remedial Matters) Act.² This statute did not make any major changes to the Income Tax Act or the Income Tax Regulations. Instead, it changed the tax collections requirements to eliminate the need for an estimated 1.2 million wage and salary earners to file an annual income tax return. Salaried employees now supply employers with information that allows the employers to deduct amounts that are appropriate in the vast majority of cases. Individuals who have paid more tax than they were required can file for rebates.³

The 1998 administrative reforms have not been the subject of a great deal of commentary. However, some concerns have been raised. Some employers have reportedly complained that the 1998 changes have turned them into unpaid revenue collectors and that compliance with the new law is time-consuming.⁴ A parliamentary committee recently acknowledged that public confidence in the income tax system is "down."⁵ However, any deep dissatisfaction with the new procedures is not reflected in the major New Zealand daily newspapers.

¹ CCH NEW Zealand Ltd., *New Zealand Income Tax Legislation*, 1999 ed.

² 1998 N.Z. Laws, No. 101.

³ New Zealand Parliament, *Taxation (Simplification and Other Remedial Matters) Bill*, Commentary, No. 152-2 (1998).

⁴ *New Zealand Manufacturer*, Vol. 103, No. 17, at 7 (March 1999) and *No Stopping IRD/EDS Electronic Filing Juggernaut*, *New Zealand Infotech Weekly* (Wellington, Feb. 15, 1999).

⁵ *FEC Inquiry Into the Procedures and Operations of the Inland Revenue Department*, (Apr. 21, 1999)
<<http://www.ird.govt.nz/resource/fec/briefings/fecapril/html#execsum>>.

In 1994, New Zealand took extant tax legislation and divided it into three separate statutes. The Income Tax Act contains most substantive provisions,⁶ the Tax Administration Act provides for collections,⁷ and the Taxation Review Authorities Act addresses appeals and rulings.⁸ The new Income Tax Act was reordered to reflect a "transactions based" approach using an alpha-numeric numbering system.⁹ The aim of the drafters was to restructure the Act to correspond to the main steps required of a tax payer in preparing a return. "It was also intended that the reordering would...facilitate much greater and simpler cross-referencing, thus clarifying the linkages and inter-relationships between the various provisions of the Act."¹⁰

The new 1994 Income Tax Act appears to have been adopted without generating much controversy. This may well be in large part due to the fact that it was accomplished without any attempt to simultaneously revise major substantive provisions.

The 1994 Income Tax Act also marked the beginning of a project to simplify the Income Tax Act not only through reorganization and renumbering, but also through a major rewrite. The main principles guiding this project are the following:

- The Act should be drafted in a simple, "plain language" style;
- the interrelationships between various parts of the Act should be made explicit;
- each provision should be drafted in such a way that its scheme, purpose and policy intent are readily apparent. This will clarify how the law applies in situations not covered in detail in the legislation;
- all provisions in the Act should follow a consistent format, making it easier for users who are aware of the standard approach to interpret unfamiliar provisions. This requires the establishment of drafting guidelines to ensure that all provisions follow an agreed standard format;
- the policy of structuring the Act to facilitate ease of use by its target audiences, and ensure sufficient flexibility to accommodate modifications and extensions readily, should be maintained;
- broadly to maintain the current balance between primary legislation and secondary legislation, case law, rulings, etc...

⁶ 1994 N.Z. Stat. No. 164, as amended.

⁷ 1994 N.Z. Stat. No. 166.

⁸ 1994 N.Z. Stat. No. 165.

⁹ United Kingdom, Department of Inland Revenue, *The Path to Tax Simplification: A Background Paper* (1995).

¹⁰ *Id.*

It was decided that the target audience of the rewrite was to be tax professionals. Participation in the project was extended to accountants, lawyers, and government officials.

III. Effectiveness of the Income Tax Simplification Changes

Thus far, tax simplification through a complete rewriting of the Income Tax Act has not proceeded very far. Only Parts A and B were completed in time for inclusion in the 1994 Income Tax Act. These Parts address the purpose and application of the Act and contain what are termed its “core provisions.” However, they are very short chapters that are approximately 25 pages. Since 1994, the focus has been on an effort to rewrite the next 3 out of a total of 13 parts to the Act. A discussion document was released in 1997. In 1999, it was reported that two further issue papers are expected before any attempt to draft a bill to amend the Income Tax Act is drafted.¹¹

As is the case with the renumbering of the Income Tax Act, the rewriting of Parts A and B does not appear to have been controversial. Part A is only two pages long and Part B is basically a short summary of the law.

IV. Conclusion

Tax simplification is a term that has been applied in New Zealand to efforts to change the filing requirement, renumber the Income Tax Act, and rewrite all tax laws in clearer terms. No major effort to completely overhaul the substantive provisions of New Zealand’s tax legislation has been undertaken. A renumbering of the Income Tax Act has been accomplished and a complete rewrite is still envisioned, but the process appears to be taking longer than was originally envisioned.

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¹¹ New Zealand Income Tax Legislation, *supra* note 1, at para. 3,001.

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RUSSIAN FEDERATION

I. Introduction

The Russian tax system has been characterized as notoriously corrupt and complicated, with tax evasion a national pastime.¹ Previous Russian legislation which was based on the 1991 Law on the Fundamental Principles of the Tax System in the Russian Federation² has been described by the investors as one of the main impediments to doing business in Russia legally.³ According to the previous legislation, in addition to the duty to pay legally established taxes, taxpayers were obliged to register with agencies of the State Tax Service of the Russian Federation, keep records of their revenues and expenses and of the objects of taxation, submit to the tax agency where they were registered tax declarations with regard to those taxes they were obliged to pay, submit the documents necessary in order to calculate and pay taxes, and fulfill the legal requirements of the tax agency to eliminate violations of tax law.

For much of the last decade, Russia's government promised that it would reduce the country's huge tax burden. Since the collapse of the Soviet Union in 1991, businesses have been plagued by a tax system so complicated and burdensome that most have chosen to keep big chunks of their revenue hidden. Covert off-payroll wage payments to avoid taxes have been a common practice among Russian entrepreneurs.

Until recently, collection of taxes in Russia has been uncoordinated and disorganized, and the tax rights of local authorities have been substantially greater than those of federation components. With the purpose of improving this situation, the Constitution of Russia granted the right to introduce taxes in Russia to the organs of federal power of the Russian Federation. The general principle of taxation provides that the list of federal, regional, and local taxes is exhaustive. This principle imposes a limitation on the introduction of additional taxes and tax payments. In the current legislation, this principle is set forth in the articles 13-15 of the Tax Code of the Russian Federation.⁴

II. Changes Made to Achieve Income Tax Simplification

On August 7, 2000, President Putin of Russia signed into law the Second Part of the Russian Federation Tax Code,⁵ which specifies the taxation of natural and legal persons. Together with the General Part of the Tax Code adopted in 1998, this legislation constitutes the major legal framework for regulation of taxation in Russia and is aimed at revamping Russia's tax collection system and forming the centerpiece of the market reform strategy. New norms of the Tax Code provide for significant changes in regard to income taxation and taxation on the profits of enterprises. The Code will enter into force on January 1, 2001.

¹ Brian Whitmore, *Importing the Legal Loophole to Tax-Challenged Russia*, BOSTON GLOBE, Aug.5, 2000, at 12.

² VEDOMOSTI RF [former official gazette] 1992, No. 11, Item 527.

³ Peter Graff, *Putin Signs Revolutionary Russian Tax Overhaul*, Reuters (Moscow), Aug.7, 2000, via <www.securities.com>

⁴ SOBRANIE ZAKONODATELSTVA ROSSIISKOI FEDERATSII [SZ RF, Russian official gazette], 1998, No. 31, Item 3824.

⁵ ROSSIISKAIA GAZETA [Government daily newspaper], August 10, 2000, at 2-9.

Income Tax on Natural Persons

The reforms include a 13 percent flat income tax to replace the current sliding scale from 12 percent to 30 percent and a unified social tax. Individuals are able to withhold from taxation R 25,000⁶ per family member for medical treatment and education expenses annually. The tax allowance for the purchase of housing is raised from R 417,450 to R 600,000, and for the sale of housing from R 417,500 to R 1 million. Some tax allowances are preserved for socially unprotected categories of the population. Income tax is not payable on pensions, compensation payments, grants, or targeted social assistance. A 35 percent rate will be charged on winnings at casinos, for insurance payouts, and interest on bank deposits when interest rates exceed three quarters of the Russian Federation Central Bank refinancing rate for *rouble* deposits or 9 percent annually for foreign currency deposits.

Income taxes are no longer to be differentiated on the organizational-legal forms of taxpayers (workers, employees, collective farmers, or individual entrepreneurs), or the form of ownership of the source of the revenues or object of taxation, as had been done previously. Preservation of progressive rates on property and luxuries is aimed at providing an equitable tax system and preventing a decrease in the amount of collected money.

Profit Tax on Businesses

A major change to be introduced will be in the determination of the tax base for the profit base. As of January 1, 2001, only the real profit enterprises receive during the calendar year will be taxed. All real and documented, confirmed business-related expenses will be tax-deductible. Equal rules will now be established for deductions for different expenses. Procedures for determination of profits and expenses for tax purposes will be identical to general accounting procedures. Some tax incentives related to the development of an enterprise and implementation of new technologies are also being introduced. The flat tax rate in the amount of 30 percent of profit is to be established for all kinds of businesses.

The new Code also provides for simplification and reduction of payroll and pension fund taxes, reducing a much-vilified tax on turnovers that businesses have been forced to pay on revenues whether they turned a profit or not. The revenue tax, now at 4 percent, will be reduced to 1 percent of a company's profit.

III. Effectiveness of the Income Tax Simplification Changes

It is too early to discuss the effectiveness of the tax reform in Russia because the tax changes will not take effect until next year, and analysts say it may be months or years before the impact is fully felt.⁷ However, it is expected that in 2001, Russian businessmen will be removing all wages from the shadows, rejecting costly schemes for cashing money, and commencing to pay taxes under the new regime.

Businesses have complained for years that they would go bankrupt if they followed the old laws to the letter. Even though it is difficult to predict whether the main goal of the reforms--i.e., to end rampant tax evasion among businesses--will be achieved, it seems evident that this new tax system should contribute

⁶ Under current exchange rates, the U.S. \$ 1 equals approximately R 28.

⁷ *Supra* note 3.

to the Russian President's main political goal of increasing the central authority by decreasing the control that regional bosses have maintained over tax revenues. The governors of the Russian provinces disagree with the adopted reform because they are afraid that the regions will now be forced to pass on most of their tax revenue to higher levels and will get nothing back. Philip Poole, head of the emerging markets at ING Barings in London, said that the new tax legislation is a victory for federal control. The change in the tax regime is a key element in Russia's structural reform program.⁸

IV. Conclusion

Russian government officials do not rule out the possibility that as the economy develops and citizens' income grows, the tax legislation will change.⁹ The Deputy Prime Minister of Russia said that the 13 percent income tax that has just been adopted could be a temporary measure.¹⁰ As soon as enterprises stop concealing their employees' pay, a new income tax with a progressive and very high rate may be introduced. These suspicions undermine trust into the government's liberalism and raise questions about whether businessmen in Russia will ever be able to conduct business normally.

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⁸ *Federation Council Passes the Tax Overhaul* [Editorial], THE MOSCOW TIMES, July 27, 2000.

⁹ *Russia: Need for Stable Income Tax Rate Urged*, FBIS Document ID: CEP20000802000057.

¹⁰ BBC Monitoring. *Paper on Russian Government Plan to Raise Income Tax*. Aug. 1, 2000. Text of report by Russian newspaper KOMMERSANT, July 29, 2000.

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UNITED KINGDOM

I. Introduction

A provision inserted in the 1995 Finance Bill on the initiative of a government backbench member of Parliament provided the impetus for a project to modernize the United Kingdom's tax legislation so that it is clearer and easier to use, but without changing the effect of the law. The Finance Act 1995, sec. 160(1) required Britain's tax agency, Inland Revenue, to prepare and present to the Treasury Ministers "a report on tax simplification before December 31, 1995." The section further provided the following:

160 .- (3) The report shall give -

- (a) an account of recent tax legislation history;
- (b) full details of recent annual additions to both primary and secondary legislation;
- (c) a summary of recent criticism of both the complexity of tax legislation and of parliamentary procedure; and
- (d) the advantages and disadvantages of possible solutions including a Royal Commission on taxation and a law commission.

The statutory intervention resulted from concern at the increasing complexity of revenue legislation: the Finance Act 1994 and 1995 were the longest and second longest respectively in history.¹ Within the stated time limit, the Inland Revenue published a formal response² setting out the following main conclusions:

- some advances in simplicity and clarity of tax legislation might be secured through policy simplification and modification to the current Finance Bill process;
- but achieving substantial improvement in a reasonable timescale is possible only through rewriting *existing* Inland Revenue legislation;
- such a rewrite is technically feasible, and its benefits will substantially outweigh its costs.³

A Tax Law Rewrite project was announced in 1996. Later that year the Chancellor of the Exchequer stated in his Budget speech that the project was "as ambitious as translating the whole of 'War and Peace' into lucid Swahili."⁴ The project will rewrite all (or most) of the existing primary direct tax

¹ 1 CURRENT LAW STATUTES ANNOTATED, ch. 4, in General Note under section 160.

² Inland Revenue, THE PATH TO TAX SIMPLIFICATION: A background paper (Dec. 1995).

³ *Id.* at 2.

⁴ Parl. Deb., H.C. (6th ser.) 170 (Nov. 26, 1996).

legislation "in order to make it clearer and easier to use, without changing or making less certain its general effect."⁵

The techniques to be used for the purpose include:

- a new, more logical structure
- using plain language whenever possible
- rationalizing the use of definitions
- omitting unnecessary and obsolete material
- using better signposting and layout.⁶

A Steering Committee was formed which includes leading figures from Parliament, accountancy and legal professions, and likely users of the tax system, as well as a Consultative Committee. Agreement has also been reached with the House of Commons' Select Committee on Procedure on the parliamentary process to be employed for enacting rewritten tax law bills.

II. Changes [to be] Made to Achieve Income Tax Simplification

In the chapter on Rewriting Existing Tax Law, the 1995 Report discussed a possible "magic formula" - a single conceptual approach to be applied across the board, under the following four heads:

"Purposive" Law

This would involve a relatively less detailed approach than that adopted in recent tax legislation which spells out in detail the full range of circumstances to be covered. "Purposive" legislation would simply aim to state the law in broad terms which makes the purpose of the law explicit. This would lead to short legislation, leaving the application to individual cases to be dealt with by the courts. Most cases would not reach the courts, but would be dealt with by secondary legislation and administrative regulations. In a detailed analyses of the arguments for purposive drafting, set out in Annex 5 of the Report, the Inland Revenue concluded that there may be a place in tax law where the adoption of a much more general approach would be helpful, but that it would not be right, or even possible to adopt this approach across the board. Many tax experts had expressed concerns that a large-scale move to purposive law would lead to a loss of certainty, making the application of the law much less clear-cut than with the present explicit approach. Others stated that an increasing reliance on administrative statements would be an important reduction in democratic accountability, in that some of the power to determine tax law, currently resting with Parliament, would be transferred to the Inland Revenue or the courts.

Nor did the United Kingdom have the institutional structure to support a general shift to the general type of tax law. The shift would require a significant increase in the general guidance to be provided by Inland Revenue and that might require the courts to interpret tax law in a rather different way.

⁵ Inland Revenue Tax Law Rewrite, Background <www.inlandrevenue.gov.uk/rewrite>

⁶ *Id.*

Experience in the rewriting of a few selected provisions suggested that where existing provisions are sophisticated, it would be difficult to express them at the high level of generality that true general principles drafting would require.

Shifting the Balance Between Primary and Secondary Legislation

It was suggested that shifting the balance between primary and secondary legislation could play a role in simplification by moving the details currently in primary legislation to regulations, thus making primary legislation less cluttered and more transparent. This approach was also thought to avoid the time pressures on Finance Bills, allowing scope for greater consultation. Proponents of the shift noted that it is much easier to alter secondary legislation than primary, making it more flexible and more readily kept up to date.

The Report stated that moving the current level of detail from one place to another would not reduce the level of detail in the legislation overall. So, as with purposive drafting, this technique did not provide a general or complete answer to the problems of the tax code.

"Codifying" the Law

According to the Report, not enough was known to establish whether the tax law lends itself to codification, but if it did, it would not provide the whole answer to current problems with the law. It would make it easier for users, but all the difficulties caused by current complexity and language would still be there.

Incorporating Case Law in Statute Law

The great growth in statute law and case law would make the task of determining the principles emerging from case law and capturing them in statutory language very difficult and the Report did not suggest that it should be attempted.

The Report accordingly reached the conclusion that the adoption of a single formula, regardless of circumstances, did not suggest a way forward. A better approach would be to deploy a whole range of techniques, based on the circumstances of the particular piece of legislation being considered.

Chapters 6 and 7 of the Report discussed the particular techniques that could be embraced in rewriting tax law and the effects and consequences of the rewriting project as a whole.⁷

Following the Report, a consultative document was published in July 1996 detailing proposals for the project.⁸ In October 1996, there followed a document providing illustrative examples of how the legislation might look if rewritten as proposed.⁹ After further consultations, a provisional program for

⁷ Copies attached.

⁸ Inland Revenue, TAX LAW REWRITE: THE WAY FORWARD (1996).

⁹ Inland Revenue, TAX LAW REWRITE: EXAMPLES OF REWRITTEN LEGISLATION (1996).

was set out.¹⁰

In the introduction to the project's first technical discussion document, testing the rewriting techniques on a very complex part of law, an outline of the project was provided.¹¹ The purpose of the project was stated to be to "rewrite all (or most) of the United Kingdom's existing primary tax legislation in order to make it clearer and easier to use, without changing or making less certain its general effects." Six critical factors were identified for the success of the project:

- The rewritten legislation must be accepted by all main users as clearer and easier to apply and as preserving the effect of the present legislation apart from minor agreed changes in policy.
- Parliament must be able to scrutinise and enact the rewritten legislation in accordance with clearly defined and appropriate Parliamentary procedures and an agreed timetable.
- The main users ... must be kept fully informed about progress throughout the life of the project and, when appropriate, properly consulted in good time for their views to influence the rewrite work.
- The operational implications of the rewrite work of the Inland Revenue must be identified and properly addressed.
- The lessons learned from the experience of successfully rewriting the legislation should be developed, in close consultation with the main users, into new best practice for producing tax legislation in the future.
- The project ... must be managed effectively and efficiently and all the project's objectives must be achieved within the agreed programme and budget.

The Consultative Committee consisting of taxpayers and representatives of accountants, lawyers Inland Revenue and other government officials ensures that full consultation on the rewritten tax law is undertaken with all relevant private sector interests.

Part 2 of the Document related the approach adopted by the project, including the adoption of new drafting techniques.¹² The rest of the Document sets out the rewritten provisions giving relief against tax for trading losses, with a comment on each provision. It is noted that the rewritten provisions are purely illustrative and will not be enacted.

The second discussion document illustrated in different ways how a particular provision would look if a purposive drafting approach were adopted. It identified five variants of purposive legislation:

¹⁰ Inland Revenue, TAX LAW REWRITE: PLANS FOR 1997 (1996).

¹¹ Inland Revenue, TAX LAW REWRITE: TESTING OUR REWRITE TECHNIQUES ON COMPLEX LEGISLATION, RELIEF FOR TRADING LOSSES OF COMPANIES, Technical Discussion Document No. 1, 5 -7 (Nov. 1997).

¹² A copy is attached.

- A. an European Union style rewrite with recitals;
- B. statements of purpose superimposed on the rewritten provisions in the first discussion document;
- C. shorter primary legislation
- D. a more general version with purposive statements supported by an Inland Revenue Statement of Purpose; and
- E. as in D, combined with explanatory notes.¹³

Other drafts have since been prepared on different areas of the income tax system. Among these are income tax rules for savings and investment income of individuals,¹⁴ the depreciation of industrial buildings,¹⁵ and employment income.¹⁶

III. Effectiveness of the Income Tax Simplification Changes

In 1998 the Tax Law Rewrite project carried out a wide-ranging "stocktake" which focused on three particular aspects of the work: the quality of the rewritten legislation, in terms of accuracy and clarity; the processes of producing the rewritten legislation and for consultation; and the likely costs and benefits of the project.¹⁷ The appraisal was based on information and opinions obtained from tax professionals during the consultation process; a structured questionnaire sent to some 200 people involved in the consultation process; and responses received from 200 distinguished people, including members of Parliament, the judiciary, accountancy firms, business persons and academics who, are interested in tax legislation or legislative reform.

The project received high ratings for the general accuracy and clarity of the draft clauses and for the way in which the proposed rewrite changes were exposed for informed debate. General approval was also expressed for the various techniques used for improving clarity. A few, however, disliked some particular techniques. It was accepted that the project would not always be able to modernize some terms because of a need to keep a link to case law.

On the processes employed by the project, it became clear that the task of rewriting the tax law - if done properly, with full consultation - was more difficult and time consuming than was originally thought. The earlier estimate of five years to complete the task was discarded as it will take longer (but not how long). The rewrite techniques were used in some parts of the Finance Act 1998 and the opinion was expressed by many that these techniques should be applied to Finance Bills more widely. However, considerable practical difficulties were foreseen in a wholesale change overnight. Only when an area of tax law has been substantially rewritten and enacted would amending legislation be easier to draft and to understand.

¹³ Beighton, TAX LAW REWRITE: PLANS FOR 1998/99, [1998] BRITISH TAX REVIEW 273, at 275.

¹⁴ Inland Revenue, SAVINGS AND INVESTMENT INCOME OF INDIVIDUALS: PART 1, EXPOSURE DRAFT No. 2 (July 1998).

¹⁵ Inland Revenue, CAPITAL ALLOWANCES: PART 1, EXPOSURE DRAFT No. 3 (OCT. 1998).

¹⁶ Inland Revenue, EMPLOYMENT INCOME: PART 1, EXPOSURE DRAFT No. 6 (MAY 1999).

¹⁷ Inland Revenue, PLANS FOR 1999/2000 AT 15 (MARCH 1999).

The appraisal could not quantify the likely costs and benefits of the rewrite project. But those involved in planning and consultation expressed confidence that in the longer term the benefits will outweigh the costs by a long way. The Consultative Committee pointed out that when the rewrite practice filters through to other areas of legislation, the total benefits will be wider than in the tax area alone.

Among commentators, Leonard Beighton, the Deputy Chairman of the Board of Inland Revenue until retirement in 1994, has analyzed the application of the five variants of purposive drafting set out in the second discussion document.¹⁸ Variant C, the greater use of secondary legislation does not appear to him to be purposive legislation and he believes that its use would make matters worse rather than improve them because the scope for tinkering and over-fine tuning would be much greater. Variant B, calling for the use of statements of purpose would be helpful at the margin, but in his opinion it would not make much difference in practice and it would not provide significant simplification of the welter of tax legislation. Beighton has an admiration for the European approach which provides founding recitals giving the broad purpose of the provisions, assisting the interpretation of the general provisions. However, he suggest that that is too radical a change to adopt now as more experience is needed in the United Kingdom of interpreting European legislation. He advocates Variants D or E, shorter primary legislation with purpose statements supported by an Inland Revenue Statement of Purpose or explanatory notes respectively.

Conclusion

The Tax Law Rewrite project dedicated to making over 6000 pages of tax law clearer, has developed more slowly than originally envisaged. The project is complex and difficult as rewriting can begin only after every implication of existing provisions is fully understood. Consultation with interested parties is also a time consuming process. So far a lot of the work paving the way for a new written law has been done, "equivalent perhaps to learning Swahili," following the Chancellor's analogy. The drafting that has been done so far is widely regarded as being of a high quality, the project is strategically guided by experts and the extent of the consultation undertaken is notable.¹⁹

The project now proposes to introduce the first rewritten Income Tax Bill in Parliament in November 2002.²⁰ The bill will also include a rewrite of the Pay As You Earn Regulations. A second Income Tax Bill is expected to follow in November 2003.

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¹⁸ Beighton, *supra* note 13, at 276-277.

¹⁹ *Id.* at 273.

²⁰ Inland Revenue Press Release 113/00, issued July 5, 2000.